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FINANCING DOMESTIC AND FOREIGN TRADE

PREPARED AND ISSUED BY

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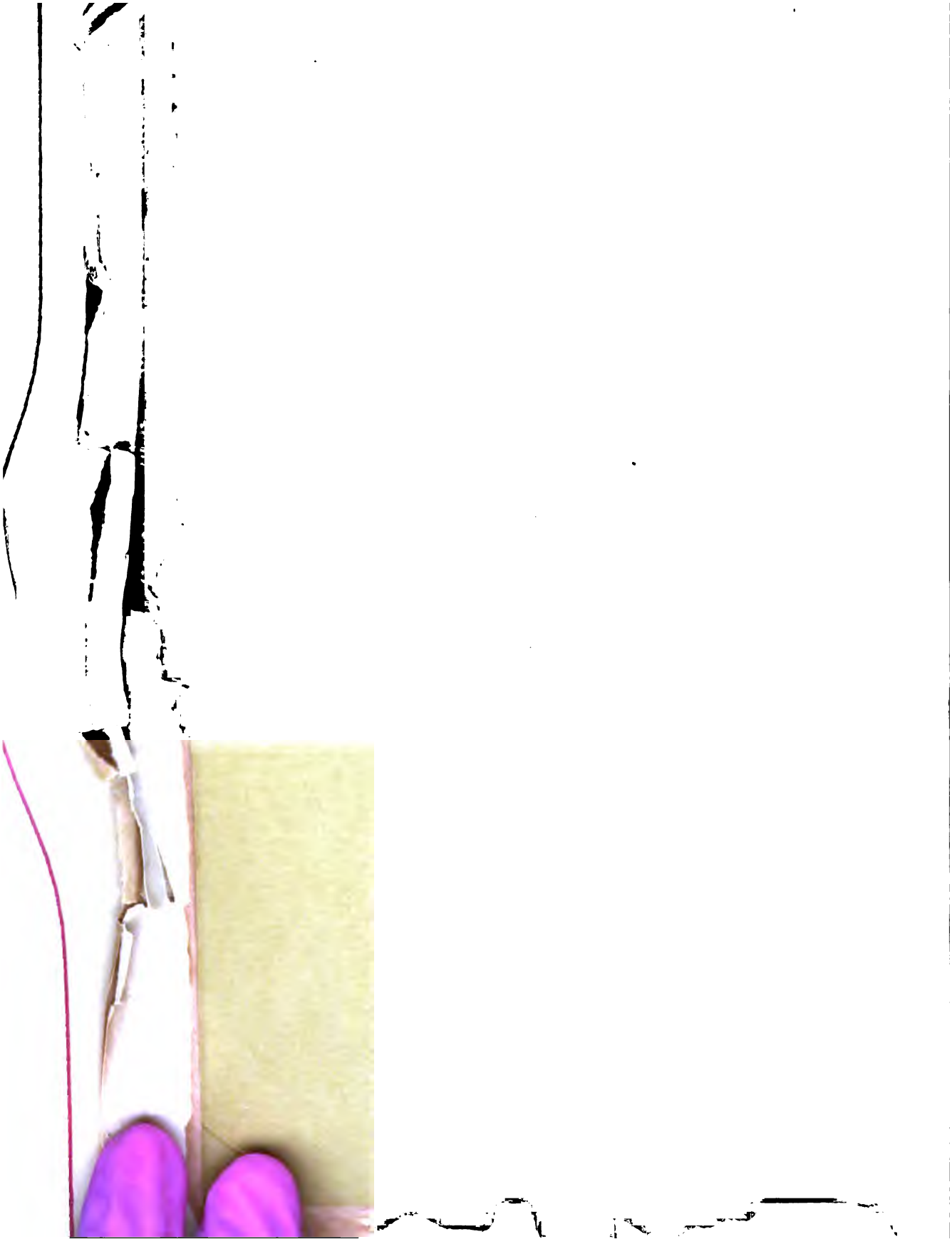
NEW YORK



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New York

FOREWORD

In view of the unexampled expansion of this nation's domestic and foreign commerce, and the prospects of its further development, the booklet on "Financing Domestic and Foreign Trade," which we have prepared and herewith issue, should be found most timely and useful. It has been our aim to present this subject in a clear and comprehensive manner, and we believe that it will prove both interesting and valuable to the business community of the country.

American Exchange National Bank

LEWIS L. CLARKE, President

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Promissory notes are also secured by the pledging of specific property as security. This property may be stocks, bonds, warehouse receipts, indorsed bills of lading, etc. Like other forms of commercial credit instruments, these collateral notes are the embodiment of accounts receivable, or actual existing values.

Accounts Receivable

Borrowing is also done on the security of accounts receivable. Book credits may be negotiable with a bank if the character of the debtors and their paying ability be sufficiently high to warrant confidence in their being liquidated within a certain time. Open accounts, however, are subject to disputes and counterclaims. If they are changed from a nebulous to a concrete form—from book entries into acceptances—they immediately become a much more satisfactory basis for borrowing.

Other Classes of Loans

Loans for permanent improvement, such as the purchase of land, machinery, buildings, or other fixed assets, are usually represented by stocks and bonds (the latter with mortgage security). For liquid capital for the purpose of financing a business operation, short-term borrowing is the most customary. Such loans should pay themselves off by the conversion into money of the commodities that are the basis of the loan. In loans for carrying securities, or for speculation of any sort, the security must be sold in order to cancel the debt. In commodity loans the security must be consumed and paid for. Furthermore, it is not customary for a merchant in good standing to put out both his "single-name paper" and "receivables," for if he borrows on his open credit and then sells his bills receivable he parts with one of his quickest assets and, at the same time, has a secondary obligation outstanding, thus weakening his financial condition.

The Granting of Credit

There are no fixed rules or infallible tests as to the granting of credit. It is, of course, essential that the borrower shall have a good business reputation and that he give evidence of his capacity to conduct his business efficiently. Also, he should have sufficient resources so that his borrowings may be only for his current needs. The financial statement furnished by the borrower (which is one of the bases for determining the quality of commercial paper) should be of as recent a date as possible. It will be of more value if it can be compared with previous statements in order to show how the business has progressed, and its analysis should show the ratio of quick assets to quick liabilities.

Domestic Acceptances

The financing of domestic trade has been considerably facilitated by the amendment to the Federal Reserve Act which permits banks to lend their credit on domestic acceptances, as well as on those growing out of exportations and importations. This should give a considerable impetus toward the conversion of book accounts into the highly desirable form of trade acceptances.

Trade Acceptances Defined

A "trade acceptance" is a time draft drawn by the seller of merchandise on the buyer for the purchase price of the goods, and accepted by the buyer, payable on a certain date at a certain place.

The latest official definition of a bill of exchange and a trade acceptance is in Regulation B, Series of 1916, issued by the Federal Reserve Board, as follows:

"A bill of exchange, within the meaning of this regulation, is defined as an unconditional order in writing, addressed by one person to another, other than a banker * * *, signed by the person giving it, requiring the person to whom it is addressed to pay

in the United States, at a fixed and determinable future time, a sum certain in dollars to the order of a specified person; and

"A trade acceptance is defined as a bill of exchange drawn by the seller on the purchaser of the goods sold, and accepted by such purchaser."

Bankers' Acceptances

The same regulation also explains a bankers' acceptance, as follows:

"A bankers' acceptance, within the meaning of this regulation, is a bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company, or corporation, engaged in the business of granting bankers' acceptance credits."

In other words, the buyer of the merchandise arranges with a bank or other party to "accept," thus lending its credit for which the buyer gives satisfactory security and pays a commission.

Objections to Domestic Trade Acceptances

An analysis of the objections that have been advanced to domestic trade acceptances, as a result of several months' discussion, according to an address by R. H. Treman, Deputy Governor, Federal Reserve Bank of New York, shows that "most of them are based either on an over-conservative desire to cling to present methods, however crude and unscientific, or on a narrow viewpoint that sees only local, limited or temporary conditions, or (and this is perhaps the principal basis) on a total lack of understanding what the trade acceptance system is and how flexibly it can be accommodated to our business needs."

Advantages of Domestic Trade Acceptances

The advantages that have been developed by the recent use of acceptances in the financing of domestic trade, and the principal reasons for their adoption are summarized as follows:

That the dead capital of open book accounts can be transferred into the live capital of trade acceptances, which are self-liquidating commercial credit paper available for the payment of debts, and which, when discounted like promissory notes, become a basis for the issue of currency and bank reserves under the Federal Reserve Act.

That trade acceptances show that they are the result of bona-fide commercial transactions, and that, being two-name drafts, they are more likely to be paid at maturity than single-name promissory notes, and that, therefore, they are safer, more liquid and more desirable for bankers.

That the trade acceptance system is better than the open account system, because the seller has an acknowledgment in writing of the account and is therefore in a better position to enforce its collection. The use of acceptances will tend to reduce the percentage of loss by bad debts and save the interest on overdue accounts.

Instead of the manufacturer or jobber being obliged to borrow heavily to finance the retailer, thus acting as a banker for his customers, it places the distribution of credit with the banks, where it belongs.

That the tendency is for those who settle by trade acceptances to be regarded with preference, like those who discount their purchases for cash. Trade acceptances, moreover, minimize the practice of taking unearned or unauthorized discounts, curb the returning of merchandise, tend to stop the pernicious practice of assigning or hypothecating book accounts to secure working capital, thus reducing the overhead costs of doing business and enabling the manufacturer and jobber to sell at lower prices, at the same time bringing about a general improvement in the merchandising system by placing it on a sounder basis.

Finally, "that the Federal Reserve Board, recognizing the advantage of the trade acceptance, has authorized special rates of discount for this class of paper, and that all Federal reserve banks in establishing rates have made a rate generally ½ of 1 per cent. lower for trade acceptances than the rate for promissory notes."

Financing the Staples

The methods of financing certain specific lines of domestic business vary according to commercial customs that have become established in connection with each trade and industry. Raw material is financed by a bill of exchange with documents attached, which are released on payment of the draft, the right to the possession of the goods resting with the party to whom the bill of lading is endorsed. Banks hold the documents as collateral security for the loan, and are accustomed to extend such credit freely within the limits of a reasonable fluctuation in market prices. When the commodity is stored in a warehouse or, if grain, in an elevator, the bill of lading is replaced by a warehouse or trust receipt, a new bill of lading being issued when the commodity moves again.

Cotton

In the movement of the great staples, especially, the part the bank plays is essential and important, for it necessarily must advance large sums on credit. Cotton, for example, is largely handled on consignment by factors, who advance up to about 70 per cent. of its value and use the stored cotton as collateral for loans from the banks. Cotton also moves through brokers and middlemen to the mills direct, the bills of lading, with drafts attached, being taken by banks for collection and credit. In transactions between local buyers and large operators, methods may be varied somewhat according to the standing of the dealer in the staple.

The old custom of the cotton factor or merchant financing the planter is being gradually done away with through the growth of banking facilities in the South, the banks being able to extend the necessary credit at less expense to the grower.

Grain

The movement of grain is covered by means of bills of exchange which must be paid before the grain is delivered. Because grain usually changes hands many times before it reaches its final

destination, the control of the commodity, as evidenced by the bill of lading, elevator or trust receipt, is the principal essential. These form the basis of banking accommodations. As in cotton, while in the last analysis the commodity is the security, the credit of the borrower is also an important element.

Lumber

In the case of lumber, there are three principal forms of credit instruments: timber bonds, lumber receivables and single-name lumber paper. The bonds, together with private capital, are used to finance the manufacture of standing timber into lumber. The manufactured lumber moves from the mill to the wholesaler on bill of lading, with draft attached, or on open account. Much of the lumber business is done on the latter basis, but trade acceptances are also coming into use.

The uniform bill of lading act, which went into effect January 1st, 1917, gives banks additional protection as to loans secured upon the evidence of shipping documents, and seems likely to facilitate in no small degree the financing of domestic trade between all parts of the country.

The Use of Bank Credit

From the foregoing it will be apparent that the use of bank credit is merely a means by which borrowers and lenders are brought together, the bank being the intermediary. Through the institution of commercial banking, trade is carried on by means of people becoming successively and alternately each other's creditors, so that money has only to pass from the first through the bank, or through two or more banks, and a clearing house to the last. All the intermediate transactions may then cancel, or cancellation may at times be complete, so that no balance remains. Cancellation of these serial and opposing debts has thus become the principal means

of carrying on modern business. Bills of exchange, drafts, or acceptances, serve to a great extent the same purpose as ordinary checks, and are superior to such checks in transactions where the beginning and the end are far apart, or where a national boundary intervenes. In the distant locality to which the check is sent, it may be that the maker of the check is unknown and there is no absolute assurance that the check is good. In this respect, the bank draft is far superior. In cases where the creditor may not wish to wait for what is owed him until a check arrives from his debtor, a commercial draft is the better.

Principles of Domestic Exchange

The recent regulation of the Federal Reserve Board providing for a check clearance system at exact cost has introduced changes and unseated established customs, so that a brief statement of the principles of domestic exchange will here be of interest.

The essentials of domestic exchange are not different from those of foreign exchange. Money has to be shipped from one part of the United States to another, and it costs something to ship it. The average cost of transporting currency by express for all distances in this country is probably about 40 cents per $1,000. Making allowances for short hauls, and for shipments of currency by registered mail, under insurance, the cost of transportation may be conservatively estimated at 25 cents per $1,000, exclusive of interest on the money while in transit. The estimated normal annual movement of currency from reserve centers to the interior for crop moving purposes is between $200,000,000 and $250,000,000, varying according to circumstances. The return movement, at the end of the season, is practically the same, making a total of between $400,000,000 and $500,000,000 each year. About double this amount is also moved back and forth in the course of the year between manufacturing and industrial centers, for payrolls, exchange and reserve purposes.

Of course, even the trifling charge of carrying money about our own country might well affect the price of drafts to that extent, and does when banks buy and sell domestic exchange of and to

each other. But in dealing with customers, it is usual for the banks to pay no attention to this expense. On the contrary, they pay to their customers when buying the latter's drafts, and charge them when selling drafts to them, a more nearly flat rate, which includes only a proper fee for bank services, reasonable interest for time elapsing before maturity, and reasonable insurance for the possibility of non-payment. The up and down fluctuations of exchange between shipping limits are borne by the banks, and, since they gain about as much by one set of fluctuations as they lose by the reverse changes, they just about make, on the average, a fair return for their service to the community.

Chapter II

METHODS OF DEVELOPING EXPORT TRADE

There are two well-established systems of developing export trade. One is the direct, and the other the indirect method. By using the former, the manufacturer or merchant gets into direct communication with the buyer abroad, and by the latter he uses an intermediary. Grouped according to this classification, these export methods are subdivided as follows:

DIRECT	INDIRECT
Export Advertising	Export Commission Houses
Circularizing Foreign Lists	Export Merchants
Traveling Salesmen	Group Representation
Foreign Agencies	General Agents
Branch Offices or Stores	Manufacturers' Export Agents

All of the direct methods can be employed at the same time by an experienced export manager, but the adoption of certain of the indirect methods involves discontinuing all efforts to get into direct touch with the foreign buyer.

Export Advertising

Advertising for foreign business is fundamentally different from advertising for domestic business. Domestic publications reach the consumer direct, and the volume of their circulation is, therefore, of the first importance. It is possible, for instance, for an enterprising advertiser to reach all the consumers in his line in

the United States. It would be obviously impracticable to reach all the 1,700,000,000 ultimate consumers in the entire world in this way. But much can be done by using either export journals published in the United States and circulating in foreign countries, or by employing foreign publications. In the former class are journals which, by means of their Spanish editions, cover the Spanish-speaking countries and which circulate their editions in English throughout all the other countries of the world. Compared with domestic publications, the circulation of these periodicals seems small, but their merit lies in the care and thoroughness of their distribution among actual buyers so that their waste circulation is reduced to a minimum. These export journals also have, in recent years, developed a service for their advertisers which frequently includes the translation of the foreign correspondence of their clients from and into the various languages.

The use of foreign periodicals by American exporters is gradually increasing, but the great expense of conducting an advertising campaign simultaneously in every country of the world has restricted the general use of foreign periodicals to manufacturers whose products are likely to be very widely in demand.

It must be borne in mind that advertising for the promotion of foreign business is not usually directed to the ultimate consumer, except for the purpose of stimulating the demand through the retailer. The retail demand is augmented by the manufacturer or wholesaler conducting an advertising campaign wholly at his own expense, or by his making an allowance to the distributors who represent him in other countries. In either case, the appropriation for local advertising in each territory should be based on a careful study of the possibilities that each field affords for the merchandise offered. The advertising copy itself should also be prepared with great care, and with the assistance of someone familiar with local prejudices and conditions.

Circularizing Foreign Lists

Occasionally, American manufacturers have secured a considerable volume of direct export business by mailing circular letters and catalogues to lists of names of foreign houses deemed

likely to be interested in their products. Such lists can be compiled from the most recent directories of foreign countries. In certain lines they can be secured from the Department of Commerce, or from export journals published in the United States. It is essential to the success of this method that all the literature be in the language of the country to which it is addressed, and that the translation be accurate and scholarly. Owing to the high cost of postage, it is also important that the lists should be as "live" as possible, that full postage should be prepaid, and that provision be made to cover the import tax levied in certain countries on catalogues or trade literature.

Traveling Salesmen

Whenever the prospective business of the manufacturer or merchant justifies the employment of traveling salesmen, this most effective method of all should be employed. A considerable number of American manufacturers and export merchants are now sending their salesmen regularly to the principal world markets. The chief difficulty is to secure men who possess the requisite knowledge of foreign languages and business customs, and who are also familiar with the goods they have to sell and with the policies of the house they represent.

Some concerns, whose business is sufficiently large to warrant the expenditure, send travelers to various foreign countries, not to take orders, but to study the markets and keep in constant touch with the conditions prevailing there. These men create, indirectly, considerable business for their firms. Often, they accompany the traveling salesmen of their chief foreign distributing agencies and aid them by their superior knowledge of the particular line of goods. They are of great assistance, not only to the local distributors, but also to the manufacturers or wholesalers by whom they are employed.

Foreign Agencies

A very large proportion of the export business of the United States, and particularly that of the smaller manufacturing interests, is now being handled by agents or agencies located at the principal

trading centers of the leading buying markets. A responsible foreign house that can be induced to undertake the representation of an American concern in its city or district offers several advantages. Such a house is naturally familiar with the language and business customs of the country, has a more or less extensive clientele through which it can distribute the goods it handles, and frequently employs its own traveling salesmen. It also affords the American house the opportunity to display its goods in stores and warerooms. It is, moreover, likely to carry an adequate stock of the merchandise or machinery, as well as a supply of fittings and accessories, such as the local trade may demand.

It is desirable, however, to use great care in the selection of these agencies. They should be responsible and in a position to handle the goods to the best advantage, and they should be located in the trade centers that will most effectively cover the districts assigned to them. It has been proved by experience that to make the trade connection profitable it is better to have a small number of well-selected agents, each with a sufficiently large district, rather than to grant agencies indiscriminately to all applicants. The agency contracts should not only protect the manufacturer, but also the agent. A dissatisfied representative is worse than none at all. Correspondence with firms in a position to act as local agents in the different parts of the world can be initiated either by advertising in the export journals, or by circularizing suitable lists.

Branch Offices or Stores

After the foreign business of a manufacturer or merchant has been developed in a certain country to a point where such a step seems advisable, its permanence and further expansion can best be insured by the establishment of branches at one or more of the principal trade centers. These may be in charge of native salesmen, although it has been found desirable to have American managers, and such branches have proved to be excellent training schools for young Americans who expect to become export salesmen. Branch establishments of this description have been conducted with conspicuous success by a number of American manufacturers. Under certain conditions, branch factories have also proved valuable.

Export Commission Houses

Of the indirect methods that involve an intermediary, the most important concerns the use of export commission houses. As a rule, these houses do not initiate foreign orders, but simply fill the requirements of their clients abroad and act as their purchasing agents. A very considerable proportion of the business arising from advertising, circularizing and the other direct methods goes to these commission houses. These concerns therefore perform a very important and useful function in connection with the export trade of the United States, inasmuch as they relieve the manufacturer or merchant of all responsibility as to the credit standing of the importer, and also take full charge of the shipping of the goods, marine insurance and freight charges. Usually, the export commission house buys for cash. In certain markets, particularly in some parts of Latin America, the connections of some of the leading export commission houses in the United States are such that the bulk of the business originating in these markets is handled through them.

Export Merchants

At present, the United States has comparatively few large export merchants such as are common in Europe, and were comparatively common in this country seventy-five or a hundred years ago. The export merchant house differs from the commission house in that it purchases its requirements outright and for its own account, with a view to selling in the foreign markets in which it is operating. Its function in the export field is identical with that of the jobber in the domestic field, and selling to such a concern differs in no way from any ordinary domestic transaction. A few export merchants have such extensive distributing connections in those markets in which they principally operate as to render it advisable to keep them as thoroughly posted regarding additions or changes in the manufacturer's line as would be done in the case of any large domestic jobber. In Europe there are a great many merchants, some buying on commission, others purchasing

goods outright on their own account for subsequent resale, with whom the American manufacturer can profitably establish direct relations. Many of these are what are known as "colonial houses," and buy at their head offices at London, Hamburg, Rotterdam, Marseilles, etc., for account of distributing branches in the colonies. It is important not to overlook these houses in planning an export campaign, although for the most part they are disposed to favor the manufacturers of their respective countries, and for that reason are seldom selected as exclusive agents for American concerns.

Group Representation

An export method that has occasionally proved successful is for a number of manufacturers to combine with a view to securing the services of one traveling salesman, or to entrust their export campaign to a single house organized expressly to represent them all. It is obviously essential to the success of this plan that the members of the group be non-competing, and it is an advantage if all are located at, or near, the same shipping point. It is important in the selection of an export salesman to represent such a group as this to make certain that he is both honest and efficient, since manufacturers have been frequently defrauded by unscrupulous persons who have claimed to represent various groups of industrial enterprises, but whose activities have been confined largely to the prompt collection of their monthly drawing accounts.

General Agents

In some lines, manufacturers have occasionally found it profitable to grant an agency for the entire export field, or for an entire continent, to a single general agent. Under such an arrangement, the manufacturer is relieved of all responsibility regarding the distribution of his merchandise for the markets thus covered, and can confine his energies exclusively to the manufacturing end. On the other hand, the severance of such a connection, for any cause,

means the entire discontinuance—for the time being—of the manufacturer's export trade, and necessitates developing an export distributing organization just as if he were going into the foreign field for the first time.

Manufacturers' Export Agents

A method of handling foreign trade that is becoming increasingly popular among smaller manufacturers, particularly those located at a considerable distance from the Atlantic seaboard, is to employ an export agent who attends to all the details of initiating and handling foreign orders, packing and shipping, the preparation of shipping documents and the collection of payments. Such concerns act virtually as the export department of each manufacturer whom they serve. When the agent selected is experienced in export matters and is financially responsible, such a connection is frequently advantageous to the manufacturer who is entering the export field for the first time, since it relieves him of all care and responsibility regarding the conduct of his export business, and obviates much of the danger of making mistakes due to inexperience.

Export Departments

In general, however, each manufacturer or merchant who is conducting a large and growing export business sooner or later finds it to his advantage to establish his own export department and place it in charge of a man who is thoroughly familiar with export problems. Such a department can devote all of its time and energy to looking after the firm's trade in foreign lands, selecting the method, or combination of methods, best adapted to insure success. Its staff should consist of men who possess special qualifications to handle capably the various technical matters that arise in connection with the conduct of the firm's export business, such as attention to the proper packing and routing of shipments, the preparation of documents, the translation of correspondence, and all the other details connected with trading with the various countries of the world.

Chapter III

FINANCING EXPORTS AND IMPORTS

Credit is even a greater factor in foreign trade than in domestic business. Many American merchants and manufacturers have been deterred from entering the foreign field, or have made little progress in developing their overseas markets, because they would sell only for cash and were unwilling—thinking themselves unable—to grant the credit terms asked by buyers in other countries. The American exporter only lately has been placed on a par with his competitors abroad in the matter of financing his foreign trade, and he is as yet not altogether familiar with the new facilities that bankers are ready to place at his disposal. These facilities enable him to extend credit, within proper and safe limitations, without taxing his resources any more than in domestic transactions.

Reliable credit information regarding foreign firms may now be obtained through many different channels. There are the great mercantile agencies that have their branches and correspondents everywhere, the foreign departments of commercial banks, and various associations, chambers of commerce, etc. With a fair knowledge of the social and commercial conditions of the locality abroad in which he is dealing, the exporter should be able to arrive at fairly accurate conclusions.

Terms of Credit

A reasonable term of credit, generally speaking, allows 30 days after the arrival of the goods. There are few places in the world where merchandise cannot be delivered, under ordinary con-

ditions, within 60 days from the American port of shipment. Therefore, 90 days is usually considered ample.

In foreign, as well as in domestic business, the most advantageous method for the buyer is to purchase on open account. This much sought after and elastic form of credit, however, involves tying up the seller's capital, and is not a satisfactory basis for financing foreign trade. Exporters will find it much more satisfactory to draw against their customers at sight, or at a certain number of days after sight, or at so many days after date of invoice. The drafts may be "clean" (without documents attached), or duplicate or original shipping documents may be attached, the title to the goods then passing either upon satisfactory acceptance of the draft or upon its payment. The draft may be for the face of the invoice, or with collection and interest charges added, according to the terms of the sale. The interest charge includes not only the term of the draft, but also the time that is likely to be consumed in getting back the proceeds when it is paid. A 60 days' sight draft, for example, drawn on some place which the mails require 30 days to reach, would call for 120 days' interest: 60 days from the acceptance date, and 30 days each for the transit of the draft from and to the point of origin. If the draft is on some country where the rates of exchange are subject to more or less fluctuation, it is customary to include in the draft this clause: "Payable at the collecting bank's selling rate for demand drafts on———" (New York or London, according to whether the draft is in dollars or sterling). This clause prevents the drawee from fixing his own rate, which would be to his advantage.

To convert the draft into cash as soon as he gets the bill of lading, the exporter takes it to his bank for discount. This he will have little or no difficulty in doing if it is drawn at sight and the documents are attached, providing, also, that everything else is in order and that the merchandise is of a kind that will be readily salable if the drawee should not pay on delivery.

If the draft is payable a certain number of days after acceptance, the credit standing of the acceptor becomes an important factor in seeking to discount the paper. In such a case, the goods pass into the buyer's hands before he pays. Therefore, lacking the added security of title to the goods until they are paid for, the bank looks first at the responsibility of the exporter and then

upon the credit standing of the importer abroad, if that can be established.

Giving Credit and Selling for Cash

The bank having agreed to discount the bill of exchange, the exporter receives credit for its face, less interest and collection charges. The transaction, therefore, is closed, so far as he is concerned, practically as if he had made the sale of the goods for cash. He has received his money, and the buyer has received the credit agreed on. In certain cases, however, the bank may think best to safeguard itself by advancing the exporter only a portion of the amount of the draft—25% or 50%, or more—or it may not take the draft at all, except for collection, and then may make its advance on receiving word that the draft has been accepted. In these matters, the credit standing of the firms or individuals involved exert exactly the same influences as they do in the financing of domestic shipments.

Acceptance Credits

It will be seen that the foreign buyer must pay the greater part of all the collection and interest charges. It may be that, feeling that he can do this better at his end of the line, he will prefer to arrange what is called an "acceptance credit." To do this, he obtains a letter of credit from his local bank. This is directed to an American bank and authorizes it to accept drafts drawn by one or more American exporters on certain terms of credit, the shipping documents being attached to the bills of exchange. In this case, the transaction is between the two banks. The American bank accepts the drafts and documents and sends them to the foreign bank, which provides the funds to cover the transactions, and looks to its own customer for reimbursement. The accepting bank, while it discounts the drafts for its own customers, is protected by the foreign bank's guaranty.

While the foregoing is a common form of acceptance credit, there are many others. They vary according to the rate of ex-

change, the discount markets in the great financial centers, and for other reasons. An importer in Rio de Janeiro, desiring to make considerable purchases in New York, is likely to ascertain where he can secure his acceptance credit on the most favorable terms. If the discount rate is high in New York, lower in Paris and lowest in London, the acceptance will be negotiated through London, and the credit will be established in sterling, instead of in dollars or francs. The New York exporter then draws against the accepting bank in London through his local bank, which discounts the draft. The exporter is paid the agreed price in dollars and the importer, by his knowledge of discount rates in money centers abroad, is able to provide those dollars at the best market price.

In preparing documents for shipments, unless the exporter is familiar with conditions prevailing in the market to which he is exporting, he will generally find it to his advantage to first consult with his bank in order to ascertain the best method of financing the transaction.

Bank Acceptances Most Satisfactory

The bank acceptance is unquestionably the most satisfactory method of financing shipments. The exporter, instead of refusing to do business except on terms of cash with the order, can quote his prices on the basis of his customer's opening a credit in New York through a bank that is acquainted with the importer's financial responsibility. Two banking commissions will have to be paid, but the low rate of discount commanded by a prime acceptance calls for practically a spot cash price for the goods, which offsets the commissions.

Banking Facilities for Financing Foreign Business

Since the passage of the Federal Reserve Act, and subsequent amendment, enlarging its scope, the foreign departments of the great American banks have been able to offer the most complete

facilities for the financing of the international trade of their customers. These departments are naturally familiar not only with the financial, but also with the business usages of many countries. A bank of this character, either acting for its individual clients or for its domestic banking connections, has at its command a fund of accurate information that is of the utmost value to exporters and importers. Also, owing to its extensive relations with financial institutions all over the world, and its necessarily close and exact knowledge of the world-wide movements of exchange, it is able to offer the maximum of facilities to those who deal with it.

Creating a Broad Discount Market

A broad discount market is being created in which bills of exchange drawn in dollars can be readily negotiated. This has been made possible by the banks dealing in a large volume of foreign exchange having an established international credit, which renders their paper as well known and as acceptable as even American gold or banknotes of the United States.

This is in line with the practice that has been long established abroad. Most of the business of Europe has been financed by accepted bills of exchange that are discounted in the open market and are bought and sold by firms or individuals seeking short-term investments that are easily negotiable. Because of this, London has been the great international market for bills of exchange. The handicap under which American banks formerly labored has been removed by the Federal Reserve Act, and rediscounting of acceptances is now permitted, as is the banking custom in Europe. This has aided in establishing the dollar as a medium of foreign exchange. Formerly, the inability to buy and sell exchange on New York was often the deciding factor in securing for our competitors trade that might otherwise have come to the United States.

Chapter IV

THE FUNDAMENTALS OF FOREIGN EXCHANGE

The basic principles of foreign exchange are simple. They may be more easily comprehended by explaining that the part which money plays in international transactions is only temporary. Money is simply the measure of goods that have been produced and advanced to purchasers at home and abroad. In the end, money must be converted into goods again, and so on, endlessly.

This country of late has shipped more goods abroad than it has received. The gold and notes that have been forwarded in payment are, however, merely transitory tokens, or receipts. In themselves, they constitute nothing that can be eaten or worn. They are really orders on future production.. If Europe, for example, is economically solvent, it will eventually produce goods with which to repay us for those we have shipped, and, as this is done, the monetary pledges that have been received in this country, owing to the balance of trade being in our favor, will ultimately find their way back across the Atlantic in exchange for merchandise that will be imported from there.

The whole business of foreign exchange, therefore, is the settling of obligations between creditors in one country and debtors in another. Money, or its equivalent, moves back and forth because it is the most portable and best standardized medium of values. It is of less bulk than any other commodity, and its intrinsic value, as expressed in gold, fluctuates but little. Still more convenient are the bills of exchange and other credit instruments that represent money. A slip of paper may be the authority for transferring

the ownership of many millions without the actual moving of the coin or bullion that represents it and gives it value.

Banks as Intermediaries

An exporter in New York sells a consignment of goods to an importer in Buenos Aires, and draws a draft on him for the equivalent in dollars. The exporter discounts his bill of exchange with his banker and receives payment for his merchandise. The importer arranges with his banker to pay the draft. The two banks act as intermediaries and are paid for their services. They have the facilities which neither the exporter nor the importer possesses. They are as much specialists as the steamship company that carries the merchandise. It is the buying and selling of drafts that constitutes the foreign exchange business.

The rates at which bills of exchange are sold fluctuate according to certain economic laws. Banks occupy, in the financial world, the position held by great wholesalers in the world of merchandising. They keep in close touch with the international markets for exchange through their connections in every corner of the globe.

New York a World Market

The greater part of the commercial exchange originating throughout this country is centered in New York City, because there is always an assured market there. The exporters of cotton or grain, or any other commodity or class of merchandise, can always be assured that their drafts through New York on any part of the world will be taken at the most favorable rate of exchange obtainable.

Factors in the Fluctuation of Exchange

At least two countries are always concerned in the fluctuation of every rate of exchange. If exchange on England, for example, is falling, it means that there is a corresponding rise in exchange on

the United States. Heavy exports from America to Great Britain cause a fall in the rates of exchange on the latter country. Because the demand for exchange on the United States is greater, the rates rise, or vice versa.

"Demand," "Cable" and "Time" Bills

Low money rates are also an important factor. The world is now practically one great market. Rates of exchange in the various world centers are cabled to New York and London every day, and are published in the most important newspapers. "Demand," "Cables" and "Time Bills" are the three principal headings. "Demand" means a draft that is payable at sight upon presentation of the bill of exchange by the receiver to the bank upon which it is drawn. "Cables" means that the money is payable immediately on receipt of telegraphic advices at the point where payment is to be made. "Time Bills" are of two classes: Bankers' and Commercial. They run from 60 to 90 days. Bankers' time bills are bills of exchange or acceptances drawn by one bank upon another, and command a higher rate than the best commercial bills.

The cable remittance commands the highest price, because it will be cashed immediately by the paying banker. The "sight" or "demand" rate is usually about one cent lower in the pound sterling. When cable transfers on London are selling in the New York market for $\$4.76\frac{7}{16}$, as an equivalent to the pound sterling, the rate for demand drafts is $\$4.75\frac{7}{16}$. There is usually a difference of 1 to 2 cents in the pound between bankers' time drafts and commercial drafts. For example, 60-day bankers' drafts on London may be selling in New York at $4.71½ and 90-day bankers' drafts at $4.69½, while the commercial drafts at 60 and 90 days' sight may be selling at $4.70½ and $4.68¼, respectively.

The reason for the difference of about four cents in price between a demand draft and a 60-day sight draft is that the seller in New York gets his money at once and the buyer has to wait 60 days from the date the draft is accepted. Therefore, the latter must be recompensed for the time he is out of his money. The time of transit between the point where the draft is drawn and the point where it is to be presented for acceptance and payment

is always taken into account in calculating the interest, which is an essential part of each exchange transaction, except in cable transfers.

Facilities that Mean Service

The buyer or seller of a draft on some other country will often find that he can obtain a slightly better rate by dealing with one of the large New York banks, either direct, or through a local bank which is a correspondent of such an institution. This may arise from several causes, some of which may be temporary. The permanent reason, however, is that a great banking house which is a large buyer and seller of foreign exchange, and is in close and instant touch with the markets of the world, can give better service, owing to its wide knowledge and experience, and because of its highly organized facilities for handling the business.

To make the matter still more simple, let us suppose that Doe & Co. have a sight draft that they wish to convert into dollars. Obviously, the larger number of dollars and cents they can get for their draft the better off they will be. If the draft is for several thousands of pounds sterling, a difference of $\frac{1}{16}$ of a cent in the pound is well worth considering. The same is true of buying drafts for remittance abroad. If a firm is doing an international business, these small fractional differences amount to an appreciable sum in the course of a year.

"Favorable" and "Unfavorable" Rates of Exchange

The standard by which exchange is said to be "at a discount" or "at a premium," or "favorable" and "unfavorable," is called the "mint par of exchange." The "mint par" between England and the United States is $4.8665. This means that the material (gold 11/12 fine) in an English pound sterling of full weight is just equal in value, supposing both to be in the same place, to the material that would be contained in $4.8665 of gold coinage (9/10 fine) of the United States. Exchange is unfavorable to a country when that country is obliged to send coin or bullion in liquidation of its indebtedness, and favorable when bullion is received from a debtor

country. This sending or receiving of bullion, however, is important principally as it affects the banking situation. It is the banks which will part with the gold, and with each fall in their reserves they will tend to restrict credits, of which gold forms a basis. A rise in the discount rates tends to check the outflow of gold. On the other hand, with a reasonable influx of gold, banking reserves reach that point when a low rate can be put in operation, with a corresponding impetus to trade and production.

The Influence of Trade Conditions

So far as individuals are concerned, it is the debtors to whom the terms "favorable" or "unfavorable" apply. They must buy the bills of exchange to send to their creditors, and the question of how much of the foreign currency units they can get in exchange for each unit of the home currency is of vital importance to them. Trade conditions exercise the greatest influence upon the exchanges, since it is from the exports and imports of a country that the supply of bills of exchange principally emanates. It is the contention of economists that a national loan acts in precisely the same way as an import to the lending country and an export to the borrowing country. The reverse is true when the interest on such loans is paid.

The United States now has capital to lend. It is a creditor instead of a debtor nation, and the American dollar is becoming as important a unit of international exchange as the pound sterling. It is the beginning of a new era in the economic history of the United States.

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Why
A World Centre of Industry at San Francisco Bay?

BY
HUBERT HOWE BANCROFT

The First Port of the Pacific; its present and its future. An Exposition in Politics and Economics.

NEW YORK
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1916

THE FIRST PORT OF THE PACIFIC

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LITERARY INDUSTRIES

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from Frederick W Dallinger
Cambridge.

WHY A WORLD INDUSTRIAL CENTRE AT SAN FRANCISCO BAY?

Why should there be in time to come a World Industrial Centre upon the shores of San Francisco Bay?

Because Nature has prepared for it, Progress ordains it, and History confirms it.

Because among states and nations California has a unique individuality which is sure to find expression as the border lands of the Pacific unfold into the higher civilized life.

Because wherever is situated the Centre of Industry there will be found the Centre of Empire.

Because while the nations of Europe with their Atlantic traffic decline, the ports of the Pacific will rise into prominence under the impulse of superior development.

Because World Supremacy may thus be placed within reach of the future occupants of the First Port of the Pacific.

Because as the Orient and Occident here meet geographically, they should join hands commercially as well, products from East and West standing side by side as a World Commercial Clearing House.

Because if the Centre of Industry on the Pacific is not established by the people of San Francisco Bay, others elsewhere will occupy the field, and thenceforward dominate the great ocean, both economically and politically.

Because Japan has already made distinctive advance in that direction, the United States government by its impolicy assisting.

Because we prefer the white race rather than the yellow race as arbiters of our destiny.

And, while appreciating beauty as an economic asset and esthetic culture as a measure of civilization, it is well to bear in mind that to dèvelop a pretty town to play in is not industrialism.

From where history begins people wandered forth,—from the banks of the Nile to Arabia, from the valley of the Euphrates to Persia and the shores of the Caspian and Mediterranean. A stream of racial siftings set in down the Persian gulf, and sweeping across to India, reached the farthest east on the western border of the Pacific. There, isolated, hidden behind a wall of exclusiveness, preferring peace yet not thereby escaping war, development languished; the people became inane, apathetic, and slumbered millenniums away, until at the present reawakening of the world let us hope that they also will awaken to a realization of their economic potentialities and take their proper place among nations.

Meanwhile, in and around this hypothetical cradle of the race humanity seethed through the centuries in the effort to rise superior to the brute creation, and succeeded in so far as to establish industrial relations and build cities, as Thebes and Memphis, Babylon and Nineveh, though never yielding their brute love of blood-letting.

One after another each centre of industry became a centre of empire. When factories crowded the shores of Phoenicia, Tyre and Sidon rose to prominence, in which Carthage later partook, assuming commercial supremacy. India supplied cotton, while up and down the Nile was

traffic in cattle, grain, metals, and slaves. Caravans traversed the deserts between west and east, bringing also spoils from the interior of Africa, lion and tiger skins, ostrich feathers and ivory. The cities of Greece and Italy came into the light; a busy commerce filled the Mediterranean ports with the varied products of all countries, while Constantinople developed as the key to Europe and Asia.

Venice, rescued from the sea, what with fighting Turks and assisting crusaders, held imperial sway for a thousand years, until Vasco da Gama doubled his cape. Rome took her turn as mistress of the world. The Netherlands, the Hanseatic league, and other places and influences appeared and disappeared as the problems of progress worked themselves out among the children of men.

While the world centred around the Mediterranean, the Mediterranean was the world, with its blazing barrier at the south and its impenetrable wall of ice in the north. After that were the Atlantic and the Pacific, the mind of man expanding with the expanse of ocean.

In due time came to all primitive peoples the end; with the rest into this maelstrom of humanity came youth, manhood, old age; it is the law,—and death. All that is born must die, men and nations, cults and cultures, worlds and systems of worlds. So died primeval Asia, her cities buried under their own débris, her once fertile plains desolated as by the destroying angel, leaving dead lands watered by a dead sea.

Whereby we may know that Europe must die, and America. All will pass as Asia has passed, and the brilliant cities of to-day become as the cities of the Shinar plains. Then will men return and recover the waste places, or will they pass away altogether? Even now the decline of Europe may be at hand; who can tell? Already the throes of dissolution appear. And as in kaiser kultur

and blood-lust the acme of infamy has been attained, so the summit of intellectual development may have been reached, now to totter and fall over into semi-insanity, as displayed in this most insane of conflicts.

For if Germany wins in the present war, England, France, and Italy will become as is Belgium, which stands forever as a specimen of kaiser rule and kaiser kultur. If Germany wins, peace propagandists will be relegated to the chimney corner, for America then must fight or become like China. If a premature peace, then will follow a period preparatory for yet greater conflicts, which will be the beginning of the end. Europe will then fall into decay, Germany, like Rome, following her victims.

We will not believe the end so near, yet death, always present, seems sudden when it comes. No more thought had Sardanapalus or Nebuchadnezzar than has Rothschild or Rockefeller to-day of being spoiled of their possessions and turned out to grass.

The decline of ancient culture in Asia was followed later by the lapse of Europe into the Dark Age, when men revelled in ignorance and brutism to their hearts' content for another thousand years, light finally coming in from the uncovering of a New World in the west.

For while yet the dark age enveloped Europe, the leaven of progress working in men's minds presented a round moving earth, which if true offered a western way to the eastern India of Mandeville and Marco Polo. And as the borders of the Mediterranean world enlarged, the hitherto timid mariners, creeping forth from the pillars of Hercules, no longer hugged the coast at either hand but struck boldly out upon the Sea of Darkness.

And from that day to this,—indeed we may say from the beginning, the course of empire has ever been westward, following the pathway of the sun,—from Asia to eastern Europe, from eastern Europe to western Europe,

from Europe to America and across the continent, metropolitan cities marking the way,—Palmyra Alexandria and Athens, Venice Rome Paris and London, New York Chicago San Francisco. Thus slowly through scores of centuries the stream of progress has continued its way, never deviating from its course until its ultimate and inevitable end should be attained on the shore of the Pacific at San Francisco bay, where the new west faces the old east, and where ready at hand are all the requisites for high achievement.

Glancing thus at the incipient stages of economic development, and following the trend of civilization to its logical limit, what have we learned and where do we find ourselves? We see that death precedes new birth as night the day, the old east dying out as the new west rises to greet the sun. We find ourselves standing on the border of a great ocean, whose waters equal all the other waters of the earth combined, and cover one fourth of the earth's surface, while a canal cut through the continent into this ocean makes commercially all the waters of the earth one sea.

More startling still, we find ourselves gazing out upon a sea whose waters mark the limit of progressional migrations. Here halts the star of empire; here sets the sun of civilization, illuminating never again a new or virgin west, but rising the morrow's morn on the old, old east, with its dead sea, its blistered hills and sterile plains, its ruined cities and decayed humanity.

Here then upon the shore surrounding San Francisco bay is the natural and logical place for a World Centre of Industry, where the problems of the future may be wrought out, until the sun of progress turns backward in its course, or wakens to new life the dead nations of the ancient east.

And in this coming together of West and East, with only the waters between, there will be many undreamed-of developments, each as magical as any which have yet appeared upon this earth.

Why is it then that San Francisco is not further advanced in the accomplishment of her high destiny? Why sit we quiescent at the Golden Gate as though blind to our many advantages, blind to our geographical position, blind to the importance of our matchless climate, a climate void of the extremes of heat and cold, void of the enervating influences of the south which militates against the permanency of extensive factories, void of the floods and famines, the death-dealing sun-blights and wind-storms of midcontinent and the east?

Is it that we fail to appreciate the economic value of such a climate as an industrial asset, aside from the health and comfort of living and working in it; more especially when with it there are plentiful food products, wharf and factory sites, bay shore enough for the world's work, accessible raw material and cheap power, oil tanked in the earth, metals in the mountains, money without limit for all legitimate purposes, and the markets of the world at our feet? We have but to open our Golden Gate to show a spot singularly suitable not only for a World Centre of Industry but for a World Commercial Clearing House, such as was so long in successful operation at Venice and London, where a full supply of the world's raw material, products, and manufactures were kept always stored for sale. At present New York harbor is the greatest of seaports as the Atlantic is commercially the greatest of oceans, but as the far greater natural wealth of the far greater ocean is utilized the First Port of the Pacific should attain an eminence surpassing all others. Here is this matchless bay, which with its tidal rivers tributary offers dockage space practically

unlimited, over five hundred miles of water frontage being already available for pier construction, which may be further increased by dredging sloughs and reclaiming tule lands.

Or is it that the choicest gift of the gods has fallen to our lot, contentment? Is it that with the purple hazy sunshine and delicious air, with health according to our wisdom and wealth sufficient for our needs, is it that we lack industrial energy if indeed we do not lack industrial intelligence?

No, not that. On every side are marks of laudable ambition, of a keen desire for civic betterment and economic advancement, all efforts tending thereunto save the one and only essential.

What is it then that we lack? What is it that bars our progress? Why idle we time away and see others sweeping our ships and sailors from the sea, our factories from the land, using the very canal which we have made to thrust us still further aside and bring upon us the contempt of all progressive peoples?

Let us diagnose the situation a bit.

The first step toward civic betterment is to see and acknowledge civic errors.

Watching the play of royalty in Europe we can but conclude that the best king is he who is least a king. Watching the play of representative democracy in the United States of America we can but note the political propaganda that turns our ablest men into sharpers, our purest men into paths of indirection, into self-seeking demagogues and panders to party; we can but view with concern those phases of liberty which lead to libertinism, and that growth of power and population which tends toward the degeneration rather than the elevation of the body politic. It is a question not yet settled whether a too free democracy, irresponsible and loosely

administered, can endure before an autocratic government with a constant tendency toward absolute despotism. We have examples in Mexico under Porfirio Diaz, in Germany under kaiser kultur, and in the predilections of Japan.

When our forefathers, of blessed memory, found themselves independent of England, with lands unlimited, they said, Go to, now; let others come, the priest-ridden and prince-ridden, let all come who will; we will give them liberty, homes, free schools and free religion. The cause is the cause of humanity, the cause of the poor; we will be to them Providence and make money by it.

Which was all well enough provided they were so inclined, and provided they had kept to themselves that inalienable gift of God, self-government, and had not flung it away to strangers, as witness the office-holders in the United States this day.

The good work was begun by killing Indians and enslaving Africans, and concluded by the expulsion of the Chinese. The irony of it our fathers never suspected.

The redemption of the world being thus so satisfactorily provided for, the New Englanders came in their migrations to the Ohio valley, their eyes still turned westward. California, and half way back to the Atlantic, all save a seaboard strip of Franciscan missions was primeval wilderness; where San Francisco now stands were dunes and chaparral where rabbits burrowed and grizzly bears were lassoed.

The far-away United States was composed of a good class of people from England, Holland, and Germany, or their descendants. They were for the most part thoughtful men of probity who had come hither for a purpose.

At that time our government was nearer pure republicanism than it will probably ever be again. It was more

ably and honestly administered, if we except the administrations of Lincoln and Roosevelt, than it has been at any time since. If the truth must be told, it is the old, old story,—with the increase of wealth and power morality and integrity took a seat below the salt.

Then and thenceforward our history might be written, The Land of Errors and Lost Opportunities. For among the many measures then opportune were the establishing of a government and the breeding of a race such as never before had inhabited this earth. Then too might have been accomplished the differentiation of rascality and republicanism; the return of our Africans to the homes of their ancestors; the conservation of our natural resources to the abolition of all taxes and imposts for all time;—all this, and more, as citizens, not as socialists, whose radicalism is an abomination.

We can scarcely be called a government by the people for the people, but rather a government by cliques and cabals for the benefit of their leaders, a government by office-mongers the essence of whose polity is bribery and the end coroded selfishness.

Bribery, the moving spirit in our organizations, the essential oil of our elections,—not bribery of the vulgar sort by money payment, but all the same bribery pure and palpable. I do not give my man a check for stealing a convention, or wrecking a party, or making me president, but I buy him just the same. If he prefers office, or political influence, something as he naively asserts that money cannot buy, I have a stock in trade of that sort of goods after election. And so on all down the line, the ballot-box and not the cash-box for bribery of high degree.

And as human nature is constructed it is difficult to get away from it. It is considered no part of wisdom among practical men to expect something for nothing,

dissimilar elements are loosely united by weak amalgam for citizenship, each still acting for himself with little love of country or true patriotism,—an incongruous mixture without too much consistency or conscience.

It was once a proud boast, that of American citizenship; a proud boast in the early fifties to be of California; now, politically, we are one with the Polish Jew, the Italian fishwife, and the wooly negro from the jungles of Africa. And herein is hidden a fetish. For the encouragement of faddists, however, we might say that a thousand years of intelligent effort may possibly bring back American citizenship to where it was a hundred years ago.

The truth is we run our good things to extremes, to fads and fetishism. We make a fetish of money, of education, of labor, of the negro, of immigration and assimilation; the exercise of our prostituted suffrage is a solemn rite. Commercial honesty is regulated by the cash register, and political integrity by the size and quality of the bribe. The negro fetish incarnates a false spirit, so proved by attempts at social equalization. The labor fetish is equally fallacious in attempting the impossible in politics and economics. The education fetish out-swells all the others, even to bursting, the inevitable tendency of all measures where one class of voters orders the goods which another class is to pay for.

We also love our little fictions, even going so far in one instance as to stamp the lie upon our coin, In God We Trust, whereas do we not know that it is in the dollar we trust? We support newspapers with their too palpable hypocrisies, their distorted statements, and their interminable braggadocio and vulgar self-praise. Conscienceless sheets, bribed by German influence, show the fact plainly enough on their face, and carry not the conviction they imagine, but excite only disgust.

Nor should we expect profound wisdom from the pacificists who fancy they can stop the juggernaut car of war with windy words. No harm to pose for effect, good friends, or to advertise your inefficiency, if such be your purpose; but unless you are prepared to grant each belligerent his own terms, your efforts are wasted, however supported they may be by a shoal of learned cranks, or however successful you may have been making cheap automobiles or running a sensational church or a superfluous university.

As a rule an efficient man of affairs makes a better executive officer than a college professor trained within restrictive lines; for under the former, while obtaining the highest political advantage, economic supremacy is secured as well. Pedagogy, ideality, and practical politics do not assimilate. Luck takes place before discernment, though often less lasting. The higher we are carried by good fortune the greater is sure to be the fall. For learned verbiage commend me to the German doctors and professors in their impotent attempts to reconcile the teachings of Christ with the doings of the devil.

Education is a good thing in reason, but like all good things is subject to abuse. Carried to excess it becomes a fad or a fetish, doing in many cases more harm than good. If continued on present lines of demagogism, wherein loud-mouthed extremists pay nothing for its support, we shall presently see any lazy lout taken up and fed and clothed while old saws are pumped into him, afterward to be set up in business and a dwelling and wife provided. From the intellectually over-fed girl comes the super-woman spoiling something better, while boys are taken from work they are fitted for and consigned to failure. Education with us is too cheap, and embellished with too many useless accessories. What costs nothing is seldom highly prized. Our foremost

men are usually among those unspoiled by superfluous education.

Furthermore, it stands out plainly enough to those who would see it that men and women have each their sphere of usefulness, and in which they excel, for so was made man, male and female; it is as much out of place for women to attempt the more virile duties of men as for men to usurp the domestic functions of women.

Half of our higher educating is worse than wasted in spoiling inferior material for the more useful occupations in life. Injudicious education narrows the intellect, paralyzes originality, and destroys the initiative. Still more senseless is giving Japanese free education with which to destroy us whenever the opportunity offers. And worst of all is to permit German professors in the pay of American universities to poison the minds of our youths with the doctrine of Prussian brutism, militarism, and kaiser kultur. Do we want America Germanized? Do we want to eliminate from our curriculum every sentiment of right and wrong and teach only the morality of murder?

The sham and charlatanry attending our elections, with the pretence of patriotism, and the duty of every citizen to deposit his vote—cash value by the thousand fifty cents each; eligibility determined by skin-tint; white or black, male or female, admissible, but nothing yellow;—while partly true is none the less diverting.

Nor is it good polity to permit the jitney nuisance to menace the safety of a city full of people and ruin legitimate transportation, the only means of reaching the suburbs or of extending the city limits.

A sum equal to the waste of the present congress and the public funds spent in measures to secure the reëlection of its members would give us a merchant marine and army and navy, men and implements, worthy of the honor

and dignity of a great nation, and at the same time furnish profitable employment for all workers.

The United States is quite in demand just now. Labor wants it, socialists want it, women want it, the Catholics want it, while the Jew, the Irishman, and the notable cheap automobile maker each thinks he has it already. Mother England would regulate our commerce, while Germany is interested in watching the effects of bomb-play on neutrality. The administration at Washington would like to retain office for another term, for a dozen other terms, and so undertakes to straddle several fences at one time, at which effort it cuts a sorrowful figure.

We must admit that the prospect for immediate improvement in San Francisco is not flattering. However it may be with our friends at the east, however benefited they may be by the war in Europe, the Panamá canal, and the now somewhat obsolete cry of peace at any price, however guarded and protected shipping interests on the Atlantic may be, we in California are not growing stronger, but weaker, both politically and economically. We cannot have true and permanent prosperity with an administration at Washington whose primary purpose is to secure its continuance in office, whose injudicious measures while increasing taxation destroy industries, and sweep commerce from the ocean while pandering to laborism for votes, thus throwing thousands of American seamen out of employment, and giving the carrying trade of the Pacific to the Japanese, who hold high carnival over our idiocy, we meanwhile maintaining the Panamá canal more for their benefit than for our own.

Placing in high office rabid labor leaders for the labor vote is not the best way to establish equitable relations between labor and capital, and few will deny that a more injudicious measure than the so-called seamen's bill was

never before passed by a legislative body,—a bill at once fatal to the merchant marine while seriously crippling the navy. By this one act of a self-serving, partisan congress industrial development at San Francisco bay has been set back for many years.

Boomers point to midcontinent and Atlantic coast prosperity, and quote railroads, food products, and war munitions, which is all very well, but where does California come in? What are the people of the Pacific coast doing to secure some of the advantages from the wonderful canal, and the so-helpful war? Nothing; there will be the overflow from the east, optimists say, which will make us rich,— tourists, retired capitalists with enterprise all sucked out of them making homes here, and always lovers of pleasure in plenty; so may we content ourselves with the crumbs that fall from the tables of progressive industry over the way, and henceforth write ourselves The happy land of Eastern Overflows.

What can we do? Do! Any thing, everything. Abolish labor intrigue; drive laborism out of politics as Hiram Johnson drove railroads out of politics; relegate the old-time commercial traveller back to the people that sent him, and peace propagandists to the sewing-circle and sunday-school; then make things and sell them.

Let our very best men organize for establishing and promoting manufactures on the broadest conceivable basis, yet always along practical and commonsense lines; establish a world commercial clearing house, and invite all nations and all industries to keep a stock of their goods here for sale; establish also a commercial training-school for clerks and business men to study the ways of foreign peoples of whom they would make customers, their wants and necessities, their manners and methods. their weaknesses and their strength, their proclivities and their languages; then send out, not a boy with a carpet-bag of

samples, but ship-loads of the best men obtainable for the purpose.

Seems chimerical, does it? But it is not, nor half so difficult to accomplish as the magic feat of your so superb and successful fair which to-day is and tomorrow is cast into the oven.

Following the age of gold and the age of grain. came to California fruit, which however welcome as a luxury does not meet the war-time necessity as a staple food product, and with land at $500. an acre and a limited market does not pay the producer. To restore to fertility worn-out grain lands, after a half-century of non-rotated crops, is troublesome and expensive; hence for the present at least it is with us manufacturing or a dulce far niente existence. With manufacturing, commerce will follow, but where we have but little to send away there can be but little commerce.

Yet further, San Francisco can attain the full measure of her high privileges only by such commerce and manufactures as can successfully compete with the rest of the world, while the builders of the canal can derive benefit and not actual loss from building it only by a merchant marine which can successfully compete with other nations in the carrying trade of the world. To bar cheap foreign goods by high duties, as some would have it, as a remedy for the exclusion of cheap labor is as illogical and absurd as to drive American ships from the ocean in order to benefit American seamen.

The bald facts remain that we have built a canal for the use of all nations, and all nations are profiting by the use of it, largely to the detriment of the builders. In the main traffic between the Asiatic shore of the Pacific and the shores of the Atlantic California is left out, while Japan derives the benefit from it. Some in California saw

how matters were tending from the start; some will not see them as they are even now.

England and Japan should be grateful, but they are not. They smile at our government as pedagogic, and at our men of affairs as tamely submissive; in the meantime taking all that they can get and giving for it as little as possible.

Many feared a slump after the fair, but that was impossible because there was nothing to collapse, neither agriculture commerce nor manufactures. The fair was magnificent, and accomplished a great work in making better known our country and climate. All honor to the men who conceived it and carried it forward to a successful issue. Though many houses in the city remained empty during the nine months of its continuance, and business was dull, the hotels, apartment houses, and certain stores reaped a rich harvest. But these were neither natural wealth nor economic industry. The boasts about building and bank clearances were misleading, and intended to mislead, as they were largely incident to the exposition, and not belonging to the business proper of the city. We should hardly consider the issuance of distorted statements good policy under any circumstances.

Frolic, festivals, and fairs are not business but play, though play sometimes is good business. But if all work and no play makes Jack a dull boy, all play and no work makes a travesty of business and a fool of the community.

There are good business men who believe in booming, who like to look upon the bright side, who will even stretch the truth a little to make the bad appear better; there are others who prefer looking facts squarely in the face, and meeting the situation as become strong, sensible men. Nothing is gained, either in business or journalism, by hollow buncombe.

We have become wealthy and great, not because of our government but in spite of it; we have become lax in morals, in integrity, and in patriotism, not because of our wealth and greatness, but because of civic degeneration, because of our flinging away our most precious inheritance, American citizenship of the quality bequeathed to us by the founders of the republic.

Looking nearer home for the cause of our industrial doldrums, we can but observe that when a body of intelligent and efficient men, prominent citizens of no mean city, meet, not once or twice but several times, for the sole purpose of organizing and acting for the promotion of manufactures; when in all their free and thorough discussions, which are always along lines of experience and discretion, advantages brought forward and obstacles removed, and never a word spoken as to the primary essential in all economic achievement, and never anything accomplished, we may safely conclude that there is something rotten in Denmark.

For these are of our city's best, equal to the best of any city; men accustomed to meet and overcome difficulties, not to give way before them; who could watch the flames devour their city without a whimper, and rebuild it in proportions of beauty and utility such as were never dreamed of before; who could raise for a world exposition five million dollars at the first sitting, to be supplemented by twenty-five millions more, and carry forward the enterprise with such wisdom and discretion, and with such successful results as to command the admiration of all nations; and this in the face of Mexico's madness and Europe's suicide; who could subscribe off hand a million dollars of their own money for an opera house to cover a city block, even though the project be defeated by a puerile mayor for labor votes, leaving in

the civic centre a ghastly scab, there long to remain as a memento of official charlatanry and imbecility.

They will stand up before the scowling Nipponese, scowling because after we have given them so much we do not give them more, while the administration at Washington is shaking in its shoes from fear—fear of damage to party, to the high ideals of pedagogic purity, and flinging away to them our dearest possession, our chief dependence for a brilliant future, the supremacy of the Pacific.

Nor are they indifferent to the destiny of our superb bay, or unappreciative as to its glorious potentialities, or blind to the absolute necessity of general manufacturing as the chief factor of permanent growth and prosperity.

They know, as history tells them, that a centre of industry—not a centre of art, or of education, or of wealth science or religion, but a centre of industry is a centre of empire, and that of all great monuments to industrialism which have ever arisen by the hand of man there has never been one with conditions and opportunities at the beginning superior to those of their own city and bay. Sir Gilbert Parker can see from London more than some of us can see here on the ground. He says that the Panamá canal will soon make the western ocean alive with shipping like the Atlantic, our world exposition meanwhile foreshadowing the magnificence of the central port of San Francisco, where all this human activity is ordained by geography to foregather and concentrate its energy, while with her wonderful situation California may soberly aspire to the queenship of the Pacific in its noonday maturity.

They know too, these our first citizens, as every one knows, of their city's embarrassment; they know the cause of it, and feel the humiliation and disgrace attending it, and notice how few are inclined to speak of it,—

that a strange reticence in this respect pervades the community. They know this yet will not see, or seeing will not touch, or touching, it is with fingers so softly applied as to soothe rather than to eradicate.

They know very well that without free labor, without operatives at a moderate wage, such as will enable us successfully to compete with others we can have no factories; in a word that without reasonably cheap labor we cannot engage in general manufacturing, which is an essential of our progress and prosperity.

They fathom fully the bugaboo made of cheap labor, and the arrant nonsense current concerning it. They understand perfectly that more than half the work of the world is low grade, and must be done by humble workers or not at all, the higher-up toilers being too dainty for it; that reasonably low pay to inferior laborers is as great a boon as high pay to skilled workmen, as to the low grade worker it is that or nothing, and all that stands between him and starvation; and that without cheap labor and cheap laborers millions must suffer, while farm and factory work, domestic service and scores of useful and beneficial industries must to a certain extent be given up.

They are neither fools nor sentimentalists, who would run their business as benevolent institutions. They give to all charities liberally, but they find it better to make the money first by practical and legitimate ways, and then give it than to ruin their business attempting impracticable methods.

Sentimentalism as applied to industrial development is out of place, and the fallacies attending American citizenship, assimilation, and cheap labor, must be dismissed if anything of importance is to be accomplished.

Even were industrialism to be conducted as a charity there were more to be said in favor of the humble worker, whose low wage means to him bread, than of the as-

sertive artisan who pays his exploiter to secure for him a high wage and short days which give him more time and money for political agitation and the drinking saloons.

And yet these, our best men, seem content to see their highest interests sacrificed, and themselves relegated to lives of tame respectability. Writing truthfully and plainly to a friend as to the situation here at present they would say, "The greatest opportunity for great things ever before offered; but first the place needs cleaning up, politically, morally, and industrially. True, we can give our customers now, under hall-mark 'Made in San Francisco', a guaranteed article produced all by white labor at the highest wage and shortest hours, under labor lords who take their accustomed toll, and supply the goods at a price but little higher than Germany and Japan ask for a better article. No poor white trash paying nothing to the labor leaders, and nothing yellow permitted to work at any price, no matter how advantageous to the producer or to the commonwealth. Government loose; justice facile; morals easy; and politics, mostly of the Irish and Catholic persuasion, as usual, rotten."

Some good citizens are less ambitious, less enterprising than others, or have the city's interest less at heart. These may say in all sincerity, Why should we bother? we are rich, we are inferior to none, we have everything that money can buy,—ah! there is the rub. There is a nobler life that is not satisfied with what money can buy. In truth, the greater the present wealth, the less satisfied the intelligent possessor is inclined to be with what it will buy.

Romulus and Remus, suckled by the wolf, glad for the nourishment were content. The half-naked Venetians, paddling in Adriatic mud, had all that money could buy, and were content, but not so the dominating doges of the imperial city that uprose from that mud. London, a

city of cities, as our city should be including all the bay shore, was content as a Thames embankment, but not so her destiny, and not so our destiny. Paris was gay Paris as Julius Caesar found it, a collection of mud huts on the banks of the Seine, and it will always be gay Paris as our city will always be gay San Francisco, but Clovis and Hugh Capet were not satisfied with the mud huts however happy their former occupants had been in their possession.

It was evident from the beginning that unless some special effort was made to secure practical benefits from the Panamá canal and the war in Europe those occurrences would prove to California loss rather than profit. It is not the mill that makes the water run. In the absence of extensive staple agricultural products and corresponding commerce, and comparatively little accomplished toward starting up general manufacturing, the disadvantages have proved greater even than was anticipated. We have every facility for making anything that can be made elsewhere, that is to say cheap raw material, cheap power, cheap transportation, moderate living expenses,—every thing but labor at a fair and reasonable wage, and on this score the city is held up by the pirates of industry. Germany did not become strong and great cringing for votes or through subserviency to labor leaders.

While the labor leaders heap curses upon capitalists for having capital, they call upon capitalists to provide for them. Capital signifies not only stored labor, but labor and economy. Were there no capitalists and no government within reach, upon whom would they then issue their demands for support? Already two-thirds of the profits of industry go to labor, but the laborites would like the other third also.

The main impediment to progress on the shores of San Francisco bay, and the only impediment, it is safe to say, is the labor situation, the capture and control of labor and the coercion of both employer and employed by exploiters of the workingman, who thus hold a monopoly of labor and manipulate it to their own advantage. Because of these industrial parasites preying upon the vital interests of the country enterprise is crushed, and scores of great industries are driven from our city every year. The laborites assume that employers can pay any wage they choose, and that it is their duty, and the duty of government, to give labor employment on its own terms. They teach their protégés that it is right and proper to base wages on the needs of the worker instead of following the laws of economics, which demand that the product shall not cost more than it will sell for.

Another fallacy is that the man with a family is entitled to more consideration than the man without one, when in reality the former should be punished for bringing children into the world without any provision for their support. For the past fifty years we have been breeding downward instead of upward, and we are just now beginning to see the lamentable result and take tardy action.

Thoughtful persons view with concern the rapid drifting of the government into the hands of labor leaders. Present at every state and national legislature are the exploiters of the workingmen active in the defeat of every measure that does not give them some unfair advantage. They also employ every possible method to warp the judgment of courts and defeat the ends of justice.

Opportunities for successful manufacturing are as open now as ever they were but for the pirates of industry, opportunities likewise for the impecunious to labor diligently, if they so desire, uniting frugality with ability, and become capitalists, as thousands have done before them.

No laborer ever became rich or great serving a labor leader, whose teachings are based on imposition and fraud, that is in giving the least possible return for the most possible pay,—lessons in enforced inefficiency and thriftlessness.

Organized industry under the régime of the laborites is organized crime. Threats and intimidation are the arguments employed, coercion the law, and dynamite the ultimate appeal. Crime is the atmosphere in which it lives and moves; strikes are a crime, boycotts are a crime, maiming and murder are crimes. The many trickeries and jesuitic intrigues for fraudulent purposes, for obtaining from society something for nothing,—well, call it laborism, the crime of the vile and vulgar.

To tolerate in our midst a labor monopoly is a disgrace to our government. It is a crime to put to inconvenience and injury an entire community that a coterie may indulge in coercion and revenge. It is infamous to ruin by means of the boycott a respectable and law-abiding tradesman, officers and law courts abetting, because he refuses to obey the mandates of rapacious labor leaders. It is a reflection upon the honesty and integrity of any government that permits a clique to assume its functions and dominate at will.

And if any workingman cannot work here without a keeper to stir up strife and keep industries in a ferment, let him migrate to some land which suits him better.

Capital imposes upon labor as opportunity offers. It has always been so and always will be so until man's nature changes. So labor gets the better of capital whenever it can, by fair means or foul, and will continue to do so if left to the devices of the workingman's exploiter. It is right for labor to defend itself, fairly and legitimately, and organize for that purpose; but it is not right to retaliate in kind upon the general public, or resort to illegal means for the enforcement of its rules and policies.

It is no part of the laborer's business, as a laborer, to regulate society or run the government, any more than it is the business of railroads or trusts to do so. These functions belong to the people at large, and not to any one class. Laborism in America is fast becoming like militarism in Germany; we may be very sure that neither will prove pleasant nor profitable.

What are the labor leaders doing for workingmen? They begin by weakening the intellect in playing providence, making of them first children and then fools. They give to those who pay them for it all the work at a high rate, to the destruction of enterprise, leaving those who do not pay without work, they and their families to starve. They dominate industry, permitting no boy to learn a trade unless they are first paid for it. They mollycoddle the poor toilers, as they call them, into puerility, until they have no more manliness or independence than a Mexican peon.

Organized industry is gradually undermining society and subverting government. It is a pernicious system, injurious most of all to the workingman, before whose mind is constantly kept by his exploiters the false idea that his is an injured class. It is right and proper for those who do the work of the world to possess the world. but the daily-wage man is not the only one that works.

It is not that we need fear a permanent reign of labor, and this for two reasons. First, through ignorance and incompetency the policies promoted by the labor leaders are largely suicidal, such as in the end will bring destruction upon themselves; and secondly, the wonderful rapidity with which machinery is invented to take the place of men will limit more and more the sphere of the workingman and destroy the occupation of his overseer. Delay, however, at the present time in our great industrial development is disastrous.

We will give to the earlier champions of labor their full meed of praise; we will give to the present exploiters of the workingman our just condemnation; we will give to any community which for any reason or excuse will submit to the continued impositions of any coterie or class our unequivocal disapproval.

It was a grand thing to do, a righteous thing, to emancipate down-trodden labor from the tyranny of capital, from the impositions of mercenary and evil-minded men, never again to be so enslaved. It is not grand or righteous for liberated labor to turn on its benefactors and well-wishers, and in a spirit of hate and revenge put to the sword the comfort, peace, and progress of whole communities of which they are a part, and on which they are still dependent for all the blessings of life.

Nine tenths of the rich men in America today, they or their fathers, were workingmen, as their sons may be after them, and they were neither ruled nor exploited by any labor leaders, but were free, self-respecting American citizens, who elected good men to office, and managed their affairs in their own way.

Nine tenths of the whiskey shops, hot-beds of debauchery and demagogism, are directly or indirectly kept running by laborism, labor leaders, their satellites and supporters.

The term cheap labor as applied to the Chinese, is a bogey which has fooled the United States up to the limit for a half century, and all at the instigation of a blatant Irishman with his dinner pail and dray on the drifting sands of San Francisco.

With cheap labor much good can be accomplished which otherwise must remain undone. With cheap labor a forest can be cleared, a swamp drained, arid lands watered, factories and mills put in operation, and thousands of beneficient enterprises carried on, giving food and raiment to starving millions who seek not luxuries but a livelihood; at

the same time solving many problems, such as high cost of living, unemployment, pauperism, and the rest.

The policy of our latter-day labor leaders is the meanest and most selfish of any thing ever before invented, and totally opposed to their own interests as well as to the interests of the commonwealth, and to the purposes of the founders of the republic, which was the greatest good to the greatest number the world over.

Labor imagines it gets the better of its employer by securing the same pay for fewer hours, but the fancied advantage only reacts upon the laborer, limiting his efficiency to his own loss in the end. For as water finds its level, so the price of labor finds itself regulated, not by the necessities of the laborer but by the potential price of the product. Further than this the workingman should know that money obtained by indirect methods at the hand of fraudulent overseers, howsoever much food for the mind and generous living it will buy, will never make for improved citizenship.

More than half the work of the world is low grade, as has been said, and is and ought to be done by cheap labor. More than half the farm and factory work is unskilled labor, which more than half the world would be glad to get at a moderate wage, yet the laborites forbid them, preferring to see them starve. Let cheap labor be given to the cheap laborers among us until all are employed; then as more are required bring in the best obtainable regardless of color or creed.

We need the Chinese as servants, not as masters; as subjects, not as rulers; as humble workers at humble work, not as arrogant labor lords to corner industry, whip capital, and ruin all honest tradesmen who dare to manage their business in their own way.

We do not want Asiatics to come in unlimited numbers, or to own land or settle themselves here. We do not want

their children born here to become citizens, any more than we want apes born here to become citizens. Let those come only for whom we have work, which, when finished, let them be returned to their homes. Europe is fast killing off her surplus, and it is no time for America to shackle industry or permit exploiters to manacle cheap labor.

By cheap labor I do not mean a starvation wage, but a wage such as is paid elsewhere, and such as will enable us to compete with manufactures elsewhere. To fix a minimum wage is to deprive thousands of laborers of any wage at all, that others who pay the exploiter may have what work there is at a higher wage, and at the same time stop the wheels of industry. The inexorable law of supply and demand cannot be conventionally ignored. Manufacturers cannot be compelled by law to employ operatives at a higher wage than the value of the product will justify, or in other words to do business at a loss. They can decline business when it does not pay, which only increases the evil, adding distress to the workers. Unemployment is worse than a low wage. Successful business cannot be conducted as a charity; even were it so, it is oftener charity to give the low grade worker his low wage than the high grade worker his high wage.

The laborer needs protection from the labor leader far more than from his employer. Unemployment exists mainly because of the method of laborism, which gives all the work to half of the workers at an exorbitant wage. forbidding a low wage altogether. The first step toward solving the problem of the unemployed is to give them their fair share of the work.

Labor monopoly is worse than coöperative or corporate monopoly, as the former is manipulated by irresponsible and unscrupulous persons, with nothing to lose and everything to gain, while the latter has at least some money or property responsibility and therefore runs the risk of loss.

Cheap labor is as essential to general industry as water is to health. To deride cheap labor and moderate though healthful living is the most senseless and suicidal of policies. As well deride mule or machine labor, cheap power, cheap food, cheap raw material; as well denounce at once all the requirements of competitive industry and give up all attempts at general manufacturing. And yet more absurd is it to set up the inoffensive, plodding Chinaman as a menace to American interests while harboring Irish agitators, Italian anarchists, Russian nihilists, and German dynamiters and bomb-planters.

Some laborers are worth twice as much as others, but all who pay the exploiter must be paid alike by the employer. Some laborers are too self-respecting to submit to the commands of a keeper; these must be punished and not permitted to work at all. Some mechanics can work twice as fast as others, but the fast brick-layers must not lay a brick more than the slowest is able to do. The whole organization and arrangement is placing a premium on incompetency and fraud.

Can we not have cheap labor without abusing it? And because heartless employers have abused it must we be thereby forever deprived of this primary essential to our progress? We cannot have true and permanent prosperity so long as our prominent business men permit the exploiters of labor to run their business, rule the courts, and fill the public offices with their tools. Labor leaders are bad enough any where, but they are worse in San Francisco than in most other places, far worse than at San Diego, Los Angeles, or Seattle.

There was no cause, there is no excuse for the expulsion of the Chinese. Of all the aliens that ever came to America they are the least objectionable and the most useful. Their good qualities are imputed to them as faults;

their industry is slavishness; their thrift, niggardliness; their economy, parsimony. They were timid, our ways being strange to them; they were inoffensive, unretaliative before insult and injury, therefore mean and cowardly.

It is true that they herded in places apart, as did the sewage of American citizenship, the Russians, Austrians, Scandinavians, Portuguese, Turks, Greeks, Finns, and others from the slums of Europe, where filth and vice were far greater than in the unique Chinatowns of California. And better far thus to herd than to scatter themselves throughout white residence districts, as the Japanese delight in doing, to the disgust of the inhabitants and the ruination of their property and homes. We will work with the Asiatics, but we will not eat with them, nor sleep with them.

It is true that they did not assimilate, did not try to proselyte or win disciples for Buddha, did not trouble our wives and daughters, did not love to agitate, did not demand alleged rights under treaties, did not care to meddle in our politics, or run the government; better for us had there been more like them in these respects.

It is true that in the early mining days some of them smoked opium, though never to the extent alleged, but for which idiosyncrasy all the same we damned them daily. Then of their own accord they gave it up almost entirely, seeing the ill effects of it as their rulers had seen long before, fighting its introduction into their country; so that in the chief cities of Christendom more of the stuff was used by Europeans than by Asiatics, while in California with the Chinese element eliminated the importation of the divine drug was greater than ever. Few Asiatics at present are enslaved by its use, far less, with all our Keeley cures, than there are white men wrecked by rum.

It was in 1840 that Great Britain perpetrated that infamous act of forcing opium upon the Chinese, notwith-

standing the emperor's edict of 1796 prohibiting its importation, and the long and strenuous efforts of the imperial government to keep away the poison which they feared and so heartily detested. As for intemperance, with its loathsome exhibitions, I have lived an eye-witness of their habits in California for over half a century, and I have never seen a Chinaman drunk on the street, or in any way disorderly, or standing at the bar of a drinking saloon, where hundreds of thousands of Americanized toilers congregate daily for intellectual improvement and generous living. I have never seen a Chinaman begging, any where or in any way, while one constantly encounters on the street lusty white men asking for money with which to buy food, thus in these and other ways falling below in manliness and decency the despised Asiatic of the cheaper wage.

It is not true that the Chinese are filthy in their habits, inefficient in their work, or untrustworthy. As cooks, domestic servants, launderers, and for orchard and vegetable garden work, they have no superior. They are diligent, respectful, honest, and reliable, which can be truthfully said of but few others.

It is not true that the Chinese take work from better men; there are no better men for their work. The assumption of the Irish that in the United States scheme of redemption they should take precedence is somewhat ludicrous; the Chinese were a cultured nation while yet the inhabitants of the emerald isle were anthropophagi. Nor was this republic founded especially for the Celts, to make places for them as policemen, labor leaders, and drinking-shop politicians. If by better men the average mechanic was meant, still the assertion is not true, for the average mechanic would not attempt the humbler work of the Asiatic at any price.

We cannot reasonably say that this man is more worthy of our consideration than the other, as we declare that all are born free and equal. There are four hundred millions who prefer Chinese paganism to German Christianity; examine the record and you will find that the former live nearer the teachings of Christ than the latter.

The Irishman would doubtless claim superiority over the Chinaman, but it would be difficult for him to prove it. He is a better agitator, dissensionist, and demagogue, but far inferior as house servant, fruit-grower, or factory operative, and as between the two I prefer in my family a good cook to an agitator. As for government under Irish régime, nothing could be worse, unless it were militaristic rule under the Germans.

It is not true that there was danger at any time that the Chinese would swarm over and fill this country like locusts, as was said. The Japanese might do this but not the Chinese. First, it is against their nature and traditions; second, the trip was too expensive, frequently involving the sale or mortgage of wife and children; third, they perforce must return; even if dead the little body must be wrapped in a well-spiced bundle and sent back to China; fourth, the thing was tried and proved that when wages fell below a certain mark the tide turned and there were more returning than coming.

Long before the Turanian founding of the Chinese nation in the Yellow River valley, and while western Europe was inhabited only by half-naked savages, Cathay cradled a sleepy civilization but little inferior to that of Egypt. The people were rooted to their homes in this life, and their souls guarded by their gods in the life to come. Joss has them ever in his safe keeping. There was never any danger of the Chinese leaving China, they or their remains, never to return.

They came hither upon the formal invitation of prominent San Francisco citizens made in 1849 through a delegation from China, assured of a friendly reception and fair treatment. They were met with derision and treated with contumely. In the mines their camps were raided; in the legislature they were illegally taxed; in the towns they were stoned by the boys, who pulled them about by their queue, their elders smiling approval. Their entire sojourn in this land of liberty and equality would show a continuous record of injustice and cruelty on the part of the American people and government.

Treaties made in 1844 and subsequently were faithfully kept by them but were broken at pleasure by the United States. It is so easy to undo the philanthropic with a weaker nation! When in 1784 the *Empress of China,* the first American vessel to visit the celestial shore, entered the port of Canton, captain and supercargo were received in the most friendly manner, as were the many American ships that followed, though not long before this strangers had been driven ruthlessly away. They called the Americans "the new people", as distinguished from the English from whom the United States had so lately become independent. Foreigners at that time were not allowed to penetrate the interior; they were called barbarians, and regarded by the Chinese as far less civilized than themselves.

During our civil war, at the request of Mr. Burlingame, China closed her ports to the confederate cruiser *Alabama,* or any other war vessel of the rebels, thus greatly aiding our cause. Choosing Burlingame as their envoy abroad shows how ready they were to Americanize their country.

Commodore Dewey did not disdain Chinese service at Manila bay, but when he reached New York the heathen were not allowed to land. They might fight our battles

but must not place foot upon our soil without some celestial Perry at hand to force them entrance.

Thus it will be seen that from first to last China has treated us with courtesy and fairness, which we have returned with injustice and insult.

The origin and agency of Chinese expulsion show in true however unfavorable light the quality of our somewhat demoralized republicanism, of the intelligence, honesty, integrity, humanity, and justice of which we make boast, as administered by politicians, newspapers, and office-holders all along the line up to the highest positions.

Obsessed by evil inspiration, an Irish drayman in the San Francisco dunes mounted a box and shouted "The Chinese must go!" Seeing spoils in it, demagogues, supported by the public press, took up the cry, which reverberated through the city, through the state, until crossing the continent it reached congress, where it was safely preserved in the spoils-box of electioneering assets.

Wherefore at the instigation of the worst element in our country we adopt the pagan policy which we so lately shouted down at the door of pagan Asia.

All honor to Dennis! the grandest Irishman since St. Patrick; Dennis with his dinner pail and dray upon the classic sands of Market street; he shook with his voice the foundations of the republic, so firmly established by Hamilton, and Jefferson, and Washington, stirring to frenzy the politicians, from policeman to president, because of pap and patronage!

The Chinaman had no champion; his wrongs were never recited; the lies that were told of him fell on listless ears and were never refuted. So that now it is the vague but general impression throughout the land that the Chinese are an undesirable factor in the economic interests of the country.

Of course the solons at the capital knew, the president knew, all their henchmen and whippers-in knew well enough the true and only cause of his offending; this celestial had no vote.

Though respectable and responsible, his was an off color. For so discriminating had become our perceptions in passing upon material fit for citizenship that we could determine it by the tint of the skin; anything white or black would do, but yellow was taboo.

Yet there was a distinction even in the yellow; the Japanese, a far worse element than the Chinese, were permitted to enter freely long after the latter had been prohibited. There was, alas! no Dennis on the sand-hills then to raise the cry, The Japanese must go!

Here is another of those lost opportunities which fate held out to the makers of this republic, an opportunity to employ our young wisdom in resuscitating and redeeming for progressive humanity the oldest and largest of earth's nations, an opportunity that any European power would have most effectually embraced. If the chance had been Germany's, for example, there would now be no war in Europe, however doleful the consequences might be to China.

Lost through our lovers of votes, the greatest opportunity of all for doing good, for doing the greatest good to ourselves and to others, to an unwieldy mass of paralyzed humanity four times the present population of the United States crowded into an area two thirds as large,—one-fourth of all the people in the world, and of a nature so apathetic that all the proddings of little Japan have thus far failed to prick them into manliness.

We had simply to remember our precept that these were men, not apes, equal to us in creation, equal to any in regard to our obligations; or if to our diluted citizenship this sentiment had lost force, one can but consider

how easily our sphere of influence might have been extended over all China, and what that influence would be worth to us, at present in money, and later in power,—when the strength of the nation becomes centralized, and disciplined under competent leadership to meet the great issues and conflicts of the world.

Assimilation, amalgamation, as a scheme at once beneficent and profitable has not proved always and altogether befitting. In a new country with vast areas of untenanted lands, a good quality of incomers to form partnership with the original stock, under well considered restrictions, might have proved propitious; but as a dumping-ground for the refuse of effete nations the intermixture is fatal to the welfare of a progressive people.

In our own case the custom as applied during the last half-century has destroyed representative democracy as originally existing, and blotted out any possibility of a pure Anglo-American race in the states united by the founders of the republic.

The doctrine of assimilation sounded pleasantly in Puritan ears. It was beautiful in theory, but theories and ideals are not everlasting in practice. Up to a certain point the free admission of aliens was profitable, but with the incoming age of graft they only added to the general corruption. A factory for turning out ready-made citizens, where native land and love of country are lacking, does not show the best results.

Of every thousand inhabitants in the United States, 351—they or their parents—are foreign born; 107 are negroes; while less than half of the remainder are descendants of the four million colonists of 1790. In Massachusetts, the keystone of Yankeedom, there were in 1910, 117,000 Russians, 89,000 Italians, 48,000 Scandinavians, 35,000 Austrians, 30,000 Germans, 26,000 Portuguese, 16,000 Turks, 11,000 Greeks, 10,000 Finns, with

100,000 aliens still coming in every year. Of whites of native parentage in New York city there are only 19.3 per cent, and in Chicago 20.4 per cent. Of the 13,000,000 aliens arriving since 1900, over half of them were Catholics.

And now that every able bodied man in Europe is required for the butcher, future immigration from that quarter is not likely to improve in quality.

There are communities in the south where three fourths of the population are negroes, and there are midcontinent communities of alien dolts, many of whom cannot speak the English language, and who have as proper conception of American institutions and ideals as so many mules, yet all fit and proper for American citizenship.

Obviously another of our lost opportunities; for, as before intimated, had we economized our lands and limited our citizenship we might now present in place of this unhappy hybridism the finest race on earth, with public wealth enough to pay all the expenses of government to the end of time.

Of a truth we ought not to curse the Chinaman for declining American citizenship but rather to bless him, to bless his coppery skin, his eyes aslant and his worshipful pigtail; his clattering feet, and swinging market basket, and his sanctimonious Joss before whom he prays to his thirty thousand devils. Let us thank him that he does not envy our Irish rulers, does not want to be congressman, or run labor unions, or bribe supervisors, or hold nihilistic seances, but just to do faithful, humble work and take his small earnings back to China to make happy the diminutive slave-wife and little demijohns forever after; or should fateful death overtake him to have his little bundle of aromatic bones returned over-sea to their original dust, carefully guarded for the Stygian journey,

lest peradventure there should set in amalgamation with those of the Christian devils.

In the early gold-diggings days, with the criminal element from every nation we absorbed England's Australian convicts, with such of Russia's Siberian population as could make their escape, amalgamating these with the rest, all of them who were not hanged or driven away by the vigilance committee. And never a voice from Ireland on the classic sand-hills, "The Sydney ducks must go!"

Assimilation! Something of a fiasco after all is it not? We begin by assimilating and end by being assimilated. We begin by absorbing low-grade people from Europe and end in being absorbed by them. We pass out freely our naturalization papers until we bring upon ourselves denationalization.

There is no longer an Anglo-American republic; the race of the founders is fast disappearing, and we have only to make the best of the heterogeneous humanity that has taken its place.

Assimilation, how glorious! Imported citizens, patriots, lovers of country, plentiful and cheap. Before the present inhuman conflict brought out in bloody relief the true mind and character of the Teutonic race we regarded German immigrants as among the best material for American citizenship, and we must still differentiate between the loyal Americanized Germans who, they or their ancestors, were among the builders of the nation, and some of the later hyphenates who are false to their sworn allegiance, traitors to the land of their adoption, bomb-planters and incendiaries, worthy disciples of the kaiser.

We may further note the similarity in the methods of the murderous German sympathizers and the murderous labor leaders in attaining their ends.

There are Germans who would fight for the land of their adoption, just as Anglo-Americans would fight England again if necessary; there are many Germans among the later hyphenated who would not. As to the Germans who have developed under militarism and kaiser kultur, they are of a different order of humanity from anything elsewhere existing. This they themselves claim, and we willingly concede it. The kaiser is their god, and a very bad god too; as unscrupulous as a medieval robber baron, and as blood-thirsty as a pirate of the Spanish main; their ideals are hellish, their acts the worst conceivable by man. They love murder for murder's sake, cruelty is a pastime and pleasure, and terrorism the first principle of their war tactics.

And yet Berlin journalists wonder why Germans are not loved! The question itself shows a dementia, shows a total absence of any moral sense. The Germans are a race apart, just as hyenas are a class by themselves, and might as well wonder why they are not loved. To tell the Germans why they are not loved, why they are hated and abhorred by all nations is not a difficult task. Does civilized humanity love savage beasts or poisonous reptiles, whether in the form of divine kaiser or unified professor? Do men of honor love lies and trickery, foresworn faith and broken promises? Do men of morals love the ethics of brute force, void of conscience, void of humanity, void of any sense of right and wrong? Look at Belgium, Oh tearful Teutons! and consider the *Lusitania;* consider your butcheries of defenceless men women and children, your rapes and robberies, your wanton cruelty and injustice at every hand, then ask not why all nations hate Germany! And how about entering a neutral nation, and through a contemptible system of espionage, bomb-planting, and assassination yield up your last scrap of tattered honor?

Learned doctors and professors, whom we have hitherto accredited with deep thought and sound logic, are apparently as enslaved by their Teutonic superstitions as the ignorant soldier in the trenches fighting for he knows not what. Or is it that they must hold with their kaiser or cease to be Germans and quit the country? At all events, whatever it is, whether stupidity or hypocrisy, it is not a proper element of progress, nor yet a fertile soil in which to plant the true beautiful and good.

It is not alone the cruelty, brutality, and injustice of the Germans that shock the civilized world, but that the learning and refinement of this great nation should be given up to defend, or even to praise such fiendishness shows an astounding depravity such as the world never could have imagined and can never forget.

Germany, these wiseacres are wont to say, has of late contributed more than any other nation to the progress and enlightenment of the world. Whether this be true or not they might correctly add that she has also contributed more to the villainies and brutalities of the world than were ever dreamed of as possible since Christ was here preaching peace. We can well spare Germany from the family of nations, with all the good she has done, if she will take with her the wrongs she has committed against the souls as well as the bodies of men.

The truth is that a large percentage of the hyphenated in America, Germans and others, never have really amalgamated and never will, the amalgam adhering only during fair weather or when profitable.

Time will test further the loyalty of Americanized aliens. As to the dependence which may be placed upon union labor, and the devotion of its members to the country they live in and from which they derive support, we have an example in England, where they not only refuse to fight, but resort to strikes for less work and

more pay, thus crippling British arms in the nation's dire extremity. Again, to avoid conscription necessary to save their own dear native isle from the destroyer, Irishmen are fleeing to America, though the kaiser promises them independence to spite England as soon as he has made their country like Belgium. When conscription comes to America will they and their brothers hyphenate fly back to their potato patch, or hasten farther west to China?

Other good qualities attend the Chinese worker in California. It was not the lowest grade of laborers that came hither; the infamous coolie system never obtained in the United States. John is no time-server, this little fellow from the celestial hills, nor pauper. He does not demand like the children of Nippon by virtue of their high heathenism the best of everything and all for nothing. He does not crowd out the white residents from the better streets nor force himself into public schools; he requires but little hospital service, as he has his own doctor and appliances. He is of less expense to the government than any other alien. Even in court short work is made of his case, as he is either quickly hanged or sent to prison to work his way through.

Even to-day, after sixty years of bad treatment on our part, China still holds open her door and invites us to enter and take possession industrially. "Others will do so if you do not," says Minister Chow Tzu Chi, "but we prefer Americans." How can we refuse? Yet how can we accept while driving these worthy people from our shores, thus adopting the barbarism which we forced them to discard half a century ago.

The Japanese are quite a different affair. Germany and Japan are predatory nations; one the world's exemplar in blood-lust, the other an apt imitator; one old in sin and civilization, the other still instinctively wild and

immature. In the absence of any ethical conception the morals of both, or what stands for morals, are founded on force, brute force the only measure of right and wrong, of which militarism is the essence and exponent. Under such tutelage, and with the skill therefrom acquired, Japan can well afford to reiterate expressions of friendship for the United States, as no nation ever before played so completely as ours into the hands of a relentless competitor and natural and unscrupulous rival.

Then why is it, or rather why was it in the first instance, before the concocting of an obstructive treaty, that after excluding the Chinese, the Japanese, the more disturbing and unwelcome element were admitted? Because, first, there was no exile of Erin on the San Francisco sand-lot to sound the tocsin of the demagogues so successful as applied to the Chinese? Then we were amused and pleased to see how ready the little pagans were to throw off the outlandish toggeries of Buddha and put on the paraphernalia of our civilization. And they were so polite and plausible withal, so sublime in their pretentions, so artful in their impudence, which after all was but the impudence of ignorance, permitting us to profit a little by them while they profited much more by us. Moreover, their arrogance and adaptability were fortified with guns, which they learned to shoot, never the while being concerned about death, a matter they left to the gods. Add to this our indifference, the inattention of the disciples of Dennis, and the alertness of the Japanese, and we have the situation pretty fairly before us.

Surrounded by the influences into which young Japan is unfolding, where as Kipling says "there is no crime, no cruelty, no abomination that the mind of man can conceive which the German has not perpetrated," to what

heights of greatness may the Nipponese not attain in another half century?

The hopes and expectations of the Germans are vested in a Christian kaiser, those of the Japanese in a pagan mikado, the one a necessarian the other a fatalist, with little to choose between them; both are special envoys of the Creator, and endowed with his wisdom and goodness. The arrogance and impudence of the pagan is exceeded only by the stupendous pretentions of the Christian. The individual subject is as potter's clay in the hands of these rulers. Thus may be seen at a glance the prostitution of Christian ideals and the paganism of kaiser kultur.

Predatory peoples are pirates; their ethics the ethics of pirates, their pledges the pledges of pirates, their religion the religion of pirates and of pagans, their conscience the conscience of the Apache, merit in murder. Germany's one excuse for broken faith, "it was necessary." It was necessary to kill, it was necessary to steal. Never a promise with Korea did Japan keep, never a treaty with China. Germany breaks her word and disregards treaties; Nippon does the same. Germany loots Europe; Nippon loots China. Germany is Christian,—God save the mark; Nippon is pagan. Both are alike barbaric; each sees in its chief ruler the divine essence incarnate; he is invincible and can do no wrong.

And as intimidation is the primary principle of predatory warfare, best to intimidate cruelty, intrigue, treachery, and every possible phase of infamy is employed without restriction. The art is the same as that employed by savages of the woods, war paint, feathers, and bluster attended by butcheries and burnings, outrages exceeding if possible those of the Torquemada torture chamber.

Just now emerging from barbarism with predatory instincts in full force, pillage and plunder still comes as

natural to Japanese as ever. They have no sense of obligation. They fight for plunder and because they love to dominate. China would be justified in sweeping from the turtle's back its little men, and some day may do so when she fully awakens.

Militarism is the proper system for a predatory people, —every man a soldier and every soldier a serf, success in murder and robbery being the chief mark of merit. Their majesties of Berlin and Hades have much in common, with little Nippon a close third in the running. Meanwhile Satan sleeps, well satisfied with the faithfulness and efficiency of his servants.

Either Japan, with Germany, must abolish militarism or the United States must adopt more drastic methods, not for aggression but for defense. There is no other way unless we would become as Belgium is, or as China.

The Japanese are ambitious, restless, unscrupulous. Since their enforced emancipation from barbarism before the guns of Commodore Perry in 1853 they have made giant strides in the amenities and trickeries of European civilization. They are dangerous rivals, doubly dangerous to California, since an astute congress, while fearing them, has turned over to them the domination of the Pacific. Their demands however impudent, we must hear and consider, for they do things. With their cheap labor and ship subsidies they are not only fast controlling commerce, but their merchant marine is training sailors which will give them naval supremacy as well. It is only by a superior navy and the strongest coast defense that we can escape ultimate conflict. Already Japan has her Bernhardi and book for the capture of the United States and the disposition of the spoils.

Germany keeps secret the subtleties of her strength; America opens her doors, and even sends professors abroad to teach paganism how best to despoil her, and

to this insane propaganda they give names as world enlightenment and brotherly love. Japan declares openly for aggressive militarism, the most infamous doctrine ever advanced by any savage or so-called civilized people. Germany's moral law is brutism, with power, pretence and treachery the watchwords of her advancement.

When we receive from a nation void of gratitude only abuse for favors granted; when for delivering them from the depths of ignorance we are charged with having sent that "rough barbarian Perry to our beautiful and peaceful shores, to our sweet-smelling land of cherry blossoms and scented forests;" when for the gifts of free schools, free universities, free hospitals, free court service and prisons—for the labor leaders have had removed for the benefit of their protégés even so small a support of the government as the poll-tax; when with all we have given them we do not give them more—all we have would scarcely satisfy them—we are denounced as "a nation of thieves with hearts of rabbits," with the rallying cry, "let us take to our arms, both by sea and land, and punish these devils," it would seem that university or any other extension for the benefit of the Japanese at the cost of our tax-payers is somewhat superfluous.

Wherefore might we suggest to these thrice blessed pagans of Nippon, that if they would remain within their beautiful and peaceful shores, and smell of their cherry blossoms and scented forests, attending only to their own affairs, and not go sniffing abroad for blood and plunder, picking up and pilfering hither and yon, it is all we would ask or demand of them.

Encouraged by success in conflicts with weaker powers Japan regards herself invincible, and bides her time to strike; when she does strike it will be the beginning of the end either with Japan or with us.

Of one thing we may rest assured, if not indeed of two,—first the Japanese will never be satisfied until they have fought America; and secondly they will win, as they always win in China, unless we are fully prepared to meet them. Already they are regarding California with the same invidious eye so constantly cast on China, and the more placating we appear the greater will be their presumption.

Would we teach Asia further the tricks of our western civilization, let China be the beneficiary, while we go to school to Nippon and there learn some things which we have never taught.

And as for Germany, missing the contemplated theft and assassination of Paris, and the immediate conquest of Europe, for which let all the world forever thank Belgium, may it not be possible that the kaiser now finds himself with the proverbial bull by the tail, fearing to relinquish his hold until terms of peace are settled? He would retain Belgium, which cannot be until England France and Italy are wiped out, for to retain Belgium would be wiping out England France and Italy.

Summary: We cannot have a World Centre of Industry around San Francisco bay without manufactures; we cannot have manufactures without cheap labor; we cannot have cheap labor of the best quality without the admission of the Chinese; we cannot have the Chinese or other cheap labor without an administration at Washington which after due consideration as to its own perpetuity, can find time for a little honest and common sense legislation in the interests of the people,—legislation possibly tinctured with patriotism; this, and the extermination at San Francisco of labor monopolists and exploiters of the workingman.

In this great work San Francisco bay and California are one; city and harbor, state ocean and shore are a unit; San Francisco bay signifies California, and California means San Francisco, all one and indivisible; each in its sphere doing its work and sharing in the pleasure and profit of it, while the glory of magnificent achievement shall fall on all alike.

All this those who lay the foundations for San Francisco's future, whether near or remote will have for their serious consideration. The development is sure to come, and along these lines; it can come by none other. And when the people of San Francisco bay are ready to unite and purge themselves of prejudice and their several cities of industrial and political demagogism; when with energy and fearlessness they are ready to take their destiny into their own hands, determined on securing for themselves the supremacy of what rightly belongs to them, whether on sea or shore, with "Made at San Francisco" a hallmark of merit the world over, there will be such an industrial development in this last great Centre of Industry as has never yet appeared in any age or nation.

Business Men
and
Public Service

A Series of editorial articles by
Willard A. Smith
of The Railway Review.
Together with some Comments
by Business Men.

Graduate School of
Business Administration
MAR 24 REC'D
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by a spirit of professionalism. If no man could take a course in law for admission to the bar until he had had some years of actual business experience, the value of the profession would be greatly increased and the evils which now pervade the making of laws and their administration would be at least mitigated.

In considering the question "who is a business man?" we may, perhaps, proceed, first, by way of elimination. The members of the learned professions—lawyers, doctors, preachers, and teachers—are not business men. Their knowledge of business is acquired from the outside, and is theoretical. They consider that the limitations of their own profession are well defined, and, of course, magnify their calling. They look upon business as an undefined, indeterminate, lawless and unscientific pursuit. Anybody can go into it without any special preparation. Its special end is the acquirement of money, which is accomplished by blundering when not by plundering. It is a "catch as catch can" affair, in which "he may take who has the power, and he may keep who can." It is a thing to be looked down upon, just as aristocracy and caste have for ages looked down upon "trade." It may be a necessary evil, but it is evil; and the professions exist, through a merciful Providence, to set it right.

The professions arrogate to themselves supremacy in thought, and custom has left it to them to do all the talking. As a result the disorganized and unsuspecting public mind is easily influenced to believe what is put up to it in the forum, in the pulpit and on the stump. The lawyer seeks to make the laws, and he succeeds in doing so. Election to office does not involve his deserting his practice, but rather helps him. The business man, if really successful, cannot spare from his business the time to secure election, or to fill the duties of his office, if he should be elected. The lawyers usually seek the office, and get it; because the man seeking office is much more energetic and persistent than the office seeking the man.

In recent years the lawyers in office, not content with

the heavy tribute that business pays them at all times, have sought to absolutely control business. Business, or commerce, has been the predominating element in modern civilization. Always reaching out, expanding and necessarily controlling, it has availed itself of all of the ingenuity of man to accomplish its purposes. It offers the greatest rewards, and in a free community, every individual is dependent upon it, and interested in its growth and development. Naturally it has been, and doubtless still is, in many of its stages, ruthless and unjust. But the development of business has constantly been toward the elimination of savagery and brute power. The "business idea" has been gradually changing from mere shrewdness and conscienceless selfishness, to one of a high grade of honor, in which service and fairness predominate. This improvement has come principally from within, influenced, of course, by religion and morals, and supplemented by law. Business is no longer a mob of unprincipled men struggling wildly for personal advantage. It is becoming an organized, and disciplined army, moving according to a code of principles, evolved, not in cloisters or law chambers, but in the actual work of the world, in the shops, the field, and the office. The laws of business have made themselves and they are founded upon the immutable facts of human nature and social progress. They are stronger than written law, and in the end prevail over adverse statutory force. They have developed, not in the minds of dreamers, but in the forge and heat of human contact.

In the heat of the game the players are tempted to slug and obtain unfair advantage. But the sentiment of the players is against the individual who does such things; and he is eliminated. The fan on the grand stand or the bleachers thinks he knows just how the game ought to be played, and where all the mistakes are made. But if he has never played the game himself he cannot rightly estimate the tangled forces and the emergencies to be met on the field; nor are his suggestions usually of any practical value.

Received through Business S...

Why Reprinted

The subject of the following articles is of vital importance to business and to all who love and hope for the perpetuity of the Republic. Their publication, at various dates, has attracted some interest and comment and numerous requests to have them brought together in convenient form.

If they result in stimulating interest and help even in a slight degree to bring about a real reform, the object of the writer will have been attained.

As so many minds are thinking along these same lines, The Railway Review will be glad to receive further expressions, favorable or unfavorable to the views here expressed.

No rights are reserved. The object is simply to be helpful and to make a contribution to the general good.

The Business Man

The scarcity of business men in all departments of government is becoming more and more a matter for serious consideration. Generally speaking our laws are made by lawyers in legislative bodies, construed by lawyers in courts, and administered by lawyers in executive and administrative positions. When a bureau or commission is created with mixed administrative and judicial functions it is filled with lawyers or (a recent innovation) professors from colleges. The lawyers on the bench may and do disagree with the lawyers in legislative halls and their deputies in boards and bureaus. The fact that lawyers thus disagree shows, of course, that lawyers may make faulty laws and that lower courts may wrongly construe them. The lawyer's technique is not the only qualification for legislating justly and wisely. The powers of the legislative bodies are very great, and when exercised within the limits of constitutionality are final Such power delegated to a body created by the legislature, like the interstate and state railway commissions, does not require for its proper and efficient exercise legal knowledge so much as good sense supplemented by business experience. Such boards, although constituted almost entirely of lawyers, still employ other lawyers as counsel, just as a board of business men would do. The members of these boards do not individually act as lawyers, but more as juries passing upon matters of fact.

The profession of law is an ancient and honorable one, and we have no intention of detracting from it in any way. But it is governed by precedent, and like other so-called learned professions, is likely to be hide bound

thinking and talking about it. Business is, therefore, thought, materialized or expressed in action, as art is said to be applied science. The thinker may not be the doer, that is directly; but if his thought is right and profitable for this world or the next, it will stimulate others to action. Hence the best in thought and action are interwoven in all the business of life which rises above mere sluggish existence.

But, in common parlance, business means the conduct of productive industry and the system of distribution, which we call trade or commerce. Except for certain tropical regions, where existence demands no clothing or shelter, and nature provides food with hardly the labor of gathering, business is a necessity of existence. Even in those "favored" regions, the arousal of the slightest ambition for anything better than mere animal existence at once leads to the business of cultivation, accumulation and exchange. The higher a tribe or nation rises in what we call civilization, the more its business is developed, extended, organized and systematized. Instead of business and culture being antagonistic, they go arm in arm; and the greatest business nations are today the most cultured, if we measure the culture not by its few high peaks but by its general level.

This is merely preliminary to considering what we mean by the "business man," when we speak of the desirability of employing him in the public service. The clerk behind the counter and the errand boy are in a sense engaged in business. They are possibly incipient business men; but if they never become more than mere cogs in the machine, they will never win that high title. The great mass of those engaged in industry never lay just claim to that appellation. When we speak of "the soldier" we do not mean the dull clod who always remains a mere machine—food for powder. We mean men of action—men of daring—those of whom the minstrel sings and the orator grows eloquent, and whose deeds find a place in history. So when we speak of the "business man," we do not mean the mass who toil unintelligently

to force a living from reluctant nature or spend their lives in a routine of mere buying and selling. These have their place in the army of industry, and it is far above that of the willing dependents and the frivolous rich; but they are not "business men" in the typical sense in which that name is used in differentiating the great forces of civilization.

The phrase "captains of industry" has been abused and ridiculed because often misapplied. There are men of strong mentality in business who have developed qualities of leadership. They cannot always be gauged by their success as money-getters and keepers. Adventitious circumstances have often defeated the greatest soldiers. Acquisition and hoarding are not the surest test of business ability. There are great business men who have never "made their pile," because they did not make that their overpowering motive and have preferred to share the results of their achievement with others. The battle is not always to the strong, nor is the amount of money a man is able to hand down to others at his demise the completest test of his success even as a business man.

Speaking generally, business knows its own. Its designation, "a good business man," is fully as reliable as the popular estimation of any professional man who seeks political preferment. There is even a thing called "business honor," which seems to be beyond the apprehension of the philistines and pharisees of "other walks of life." There are men in business—large and small—whom the business world distrusts, without perhaps being able to give specific reasons. The banks are likely to know them, when not controlled by them. They are keen, industrious and daring, but not scrupulous; and not infrequently unduly hard upon others who have not won out. And men who have been deemed "good" frequently go wrong in business as in professions. But the real respect of the business world is discriminating and not often misplaced. Business judges the man by his record—not by his wordy promise.

Hence when business men, as such, select a business

man to represent them in legislative halls or in administrative public services, they are fairly sure to take one who represents the best business sentiment and practice. Such a man will carry into politics the best that there is in business. He will not be a reactionary except in matters in which the action has been hasty and unwise and reaction is needed to preserve the equilibrium of government and business. Nor does the almighty dollar come closer to the eyes of the business man and obscure his vision more than it does that of others. The modern business man is broad in his views and generous in his outpourings. The eleemosynary work of the world is supported by him—education, religion, charity. The preacher who condemns his absorption in business pleads for the money that that devotion earns. As the men down in the coal mines, the stokers down in the furnace rooms, all those working in grime and danger, are our substitutes, doing for us and in our stead a work that must be done, so the great business man, getting little for himself but his "board and clothes," bears in his breast the consciousness of thousands dependent upon his enterprises and a sense of responsibility to the race. Not all, but many—a growing number—an ideal of increasing power and developing itself in countless ways, often where least suspected.

The business man in public office will not sacrifice public interest to a false idea of the needs of business. Rather with a preponderating representation of business in government, we may expect business methods and business foresight and business honor to purify and stabilize public service, and to make politics the high calling it ought to be instead of a pursuit which trickery, chicanery, self-seeking and blatant denunciation make disreputable.

Government is the nation's business. It is "big business," too. It should not be left to the haphazard choice of voters between two or more men whose chief qualification is that they want the job. The business man who should select for his staff the loudest mouthed and most

insistent of those who would run his business for him, would have a short career. Facility in public speaking, wire-pulling, blarney and ready promise are poor qualifications for right conduct of the nation's business. The absence of the business element in public service has brought the nation into a tangle from which it can only be extricated by the business of the country, large and small, uniting on a policy of securing adequate representation for itself. The salvation of representative government largely depends upon this—a change in the crew must be depended upon to keep the ship of state off the rocks.

The Government's Business
It Needs Regulation by Business Men.

The government of the United States conducts its business extravagantly, inefficiently and dishonestly. This is a broad statement but it is true. People are disposed to condone these facts, because they recognize the difficulties of popular government and are loyal to the idea that it must be made to succeed at all hazards. The publication of these facts has no material effect, because the animus is generally believed to be partizan; and also because both parties are *particeps criminis* and they prefer to suppress and gloss over evils rather than to disturb the public mind and breed unrest. The politicians, too, are devoid of a business sense of honor and consider that in government, whatever is is right. The public has hardened its conscience into judging by general effect rather than by defects of detail. The chief concern of legislators seems to be lest somebody other than themselves shall get more of that "everybody's money," which

is "nobody's money." The academic people carry their respect for government to the point of maintaining that "the king can do no wrong" in the sense that everything he does is right, rather than in its original and real meaning that he *must* do no wrong. Hence we have the spectacle of a nation setting an evil example to the individual, instead of occupying an exalted position as the leader in moral, intellectual and physical rightness.

When individuals live in this way, we call them hypocrites, the most opprobrious term which has the sanction of holy writ. But as it is the nation which does these things we overlook them, just as we would hide the human failings of a Washington or a Lincoln; and content ourselves in hoping for that purer day toward which we hope "the whole creation tends." But we of today are responsible and if we acquiesce even protestingly and do nothing more we are helping to create and continue the everlasting precedent, worshiped by bench and bar, which is the handicap of all real progress. From the broadest standpoint it is of supreme importance that government be efficient, economic, just and honest; and that it should not itself follow "the primrose path of dalliance" while directing the individual to keep out of that trail.

Is the government inefficient? As a business proposition, it is woefully so. It is reckless in the matter of "overhead," and regardless of the cost of production of its "output." A former Secretary of the Treasury said after retiring, "I could run the treasury as a private business with one-half the employes and one-third the cost." Anyone who is familiar with the subject knows that the claim of a former Senator that the Government wastes a million dollars a day, is well within bounds Were this corrected, the Government would be approximately as economical as the railways and business in general now are—because the waste is in superfluous employes and weak service—things not tolerated in business. After that point had been reached there would remain in the Government the same theoretic field for

scientific efficiency which Mr. Brandeis at the instigation of "efficiency experts" pointed out to the railways. In other words, the Government expends about twice as much per unit of product as private business expends. Any corporation which followed government precedent in the matter of expenditure would quickly be wrecked by its competitors. The Government has no competitors. From the standpoint of business efficiency, its pay rolls are stuffed. With unlimited resources to call upon and without the necessity of making a profit or even coming out even, there is nothing of that restraint of extravagance which business imposes upon its industrial army as a very condition of existence. The public asks, apparently, for no proof of economy or efficiency (practically exchangeable terms) and is satisfied with an offhand assurance of honesty. From a high business standpoint, *inefficiency and extravagance are dishonest.* This grave defect of our popular Government cannot be reformed except by business administration—that is by business men carrying into all departments of Government the high ideals of honesty and honor which, whatever may be said to the contrary, really prevail in the business world.

So much for the general conduct of our Government. It has been but a step from this, for the Government to actually steal, under legal forms as a protection. So far the people merely shrug their shoulders and say "too bad," when the Government in the most disreputable and indefensible manner, takes many millions from the railways by declining to pay them for carrying parcel post. The conscience of Congress—a congress of lawyers, *et al.* —is so blunted by its long course of irresponsibility that it does not even attempt to explain or palliate its grand pocket-picking exploit. It is too busy shouting "stop thief!" to business; and it even has the effrontery to boast of its ill-gotten gains by pointing to the increased "earnings" of the Post-Office Department. We doubt whether a congress of business men would act as a Fagin and teach the public to steal. Let it be considered, if this

expression be thought too strong, that the railways this year lose not less than $8,000,000 in carrying the parcel post; and that the administration glories in thus making the service "self-supporting." Not only this, but we have the spectacle of the Treasury Department violating the act of Congress limiting parcels to a weight of fifty pounds, and shipping by parcel post gold coin in kegs weighing 150 lbs. each. On one shipment of $50,000,000 in gold from Philadelphia to New York, the department "saved" $21,624, by using the post instead of express. For carrying this shipment the railway received nothing, and its proportion of the express charge was really stolen by the Government—and the Secretary of the Treasury expresses great satisfaction over the exploit.

Moreover, the attempts now made in Congress to force through the Moon bill, which will still further reduce payment to the railways. The further cut in the case of some roads would range from 25 to 65 per cent. While protesting an intention to do ultimate justice, although not offering to restore the amounts already seized under the rule of might, the Congress and the administration are avoiding the simple and honest plan of weighing the mails once a year instead of once in four years. No business organization would go into the business of robbery in this way, and on this scale.

That the Government's accounting methods are to a considerable extent devised to deceive the public is a well-known fact. While ordering exact methods of book-keeping by corporations which shall reveal the detailed facts of their business, the Government itself scorns such honesty. The book-keeping of the Post-Office Department—a department which in its nature approaches more nearly than others to a business proposition—shows nothing except what the head of the department wants to show for his own credit. They do not reveal what part of the business is profitable, what is self-supporting, and what is conducted at a loss. "There is much virtue, much moral reform in mere honest efficient book-keeping." The interest on the cost of post-office buildings, rentals

paid, cost of maintenance, heating, janitor service, etc., all are borne by the Treasury Department. They do not appear as charges against the post-office business and the reports of the Post-Office Department are thus in intent and reallity deceiving and fraudulent. What would a Government which uses this kind of book-keeping do to a corporation which should follow the same system? We can imagine the caustic comments of the commissioner exposing them, and of high-minded legislators, and the courts themselves. New burdens would at once be laid upon honest managements because of the wrongdoing of the few, who were really only doing what the Government is teaching them to do. This is the morality of our lawyer and academic rulers whom we are electing by our votes. Is it not time to inject a little business honor into the Government?

Of the petty manipulations of funds appropriated, of graft glossed over because of the bad influence of exposure and prosecution on the public mind of the maze of public finances which defies exploration, time and space fail us to speak. He knows little who doesn't know that Washington looks upon these things with complacency while holding up its hands in holy horror at occasional immoral practices in business. And so of the millions squandered on useless water ways and other public works —of the "pork barrel," the trading and buying of support by conscienceless bargains, the deceit by which great undertakings are begun with small appropriations in order that the Government may be unwittingly committed to an ultimate outlay at which it would shrink, the mileage scheme of payment, etc., etc.

These things might not be immediately corrected by a Congress of business men; but the reform can only come eventually through a sense of business honor grafted upon government. A business government would stop the present unregulated and indefensible method of appropriations and adopt a budget system of income and expenditure, through which the business of government would be conducted honestly, truthfully and in the light

of day. It would banish the hypocrisy and pretense and clear the way for decency and order.

No better illustration of the need of the business man in government could be offered than in connection with the ship purchase scheme now before Congress. Having crushed the merchant marine by adverse legislation and by withholding the support and encouragement which all other maritime powers give to their shipping, the United States finds itself in absolute distress. In its crazy excitement it now proposes to buy and operate vessels. A business government would not have built a Chinese wall around its coasts. It would have recognized the fact that in competing on the world's waters it must do as all other nations do. It would have given freedom to its shipping, would have encouraged it with mail contracts and fostered it where necessary with subsidies. It would then not be in the humiliating position of looking to its competitors in the world's markets to carry its goods. It would have had a shipping to be converted quickly into transports in time of war or other emergency. It would not have sacrificed the commercial development of the country to an academic prejudice against "subsidy," and fear of aiding private gain.

Again, a business government would study the tariff question systematically and regularly as a question of business policy—not as a fetich, or a voodoo. It would adopt measures of conservation of natural resources which would really conserve without killing all development. It would not seek to hamper business and break the legs of progress, but would clear the way for private initiative and bid it God-speed. It would not endeavor to see with how many laws it could encumber the statute books, but would agree with Carlyle and Spencer as to the evils of over-legislation. Jefferson believed that government to be the best which governed least. Alas! how far have his professed followers got away from his teachings in their itch to get their fingers into the regulation pie!

For nearly a century and a half we of the United States have been idealizing in free government. We have put the conduct of the nation into the hands of doctrinaries and idealists. We now need an era of pragmatism in government. We need pragmatics in office to lay secure and honest foundations upon which to idealize. There are fundamental laws of human intercourse and commerce which no statute can beat. We need to build upward upon these rather than to begin in the air. And to do this, we need the skill and experience of men of affairs. If this end is to be obtained, business men must take hold and assert themselves. Those now in charge will not willingly let go; it must be a business movement, and the public which now sees what business depression means, will gladly support such a movement when given the opportunity.

How Business Can Make Itself Felt for Good in Government.

The old idea of the projection of the business idea into government, was to use money to get what you want. The almighty dollar was potent in legislative halls; and it is idle to place all the blame for its use upon the business interests. Tenders of exchanging influence for money were as common as tenders of money for influence. Legislators were rarely indignant over the work of the lobby, except when they conceived that the lobby was not willing to pay enough. Business found it easier to pay money for what it wanted than to have its time and attention distracted from its other work. When business interests had a perfectly good case and ought unquestionably to get what they were asking for, they eventually found it necessary to grease the ways. Obstruc-

tion became the usual thing, and business was at least as much sinned against as sinning.

But we have come upon better days in many ways. Public opinion now frowns upon such exchanges; and to some extent makes its influence felt. But there are survivals of the system which ought to be abolished. The "pork barrel" still exists and appropriations are traded in among the legislators themselves. Trading vote for vote is just as dishonest as trading vote for money. The legislator who is governed in all he does by his individual prospects of re-election is, in principle, no better than the one who makes his own pecuniary needs his ruling motive. The labor lobby has largely supplanted the business lobby; and legislation is far from being the clean and high-minded operation it ought to be.

Another unworthy survival is the idea of business men that the way to better things must be paved with money. Money is freely supplied for carrying on the best of work —but the work languishes because it needs not money, but men. Business can now find its way into government, only by furnishing men to overcome the tremendous balance of power against it—and business men are not seeking jobs. To inject business ideas and business methods into legislation and administration conducted and dominated by men without business experience and without respect for the business man, is a hopeless undertaking. Business men, and those looking to them for employment and livelihood, constitute easily over ninety per cent of the voting public. Their personal representation in the affairs of government is less than ten per cent. We thus have a small governing class—an oligarchy or bureaucracy—put into office and kept there by the great mass of the people who let them do what they want to, and begin to despair of a system of government which they are shutting themselves out of. The office-holders know the weakness of their tenure; and so it comes about that a comparatively small organized band of labor representatives, wild-eyed reformers, or academic theorists, gets what it wants by threatening or much talking. There is no organized opposition; and in such

absence, a handful of men drop legislative bombs and sail away in security.

Business needs organization. That seems a statement hardly worth making—for it has a great number of organizations and new ones are bobbing up every day. There are chambers of commerce, local and national, assocations of manufacturers, associations of commerce, business men's leagues; and a thousand and one trade and technical organizations. And many of these are doing good work in creating better public sentiment and in influencing legislators and executives. But are they getting anywhere, really, in getting business experience and business ideas into the council and administration of public affairs? Are they not working against great odds in trying to educate and form and direct the men who are already in control? Would it not be vastly better—and is it not the only satisfactory solution to put business men into public service? Wouldn't it be easier to educate business men into talking than to educate talkers into business men?

The labor hosts have set an example for business men. They organize for work—for making themselves felt and getting into power. They elect their own men or their friends at least. They know how the candidate stands on the subjects they are most interested in. They have their headquarters at the seats of power; and they have their flying battalions which are mobilized to suit the emergency. They lay out definite programs and rise anew with fresh vigor, after defeat. Give them credit for a generalship, of which business knows mighty little! Their organizations are not for dinner-giving and mutual adulation or repining over the degeneracy of the times. They are "one for all and all for one," while business always sees a certain advantage to the one who won't agree to anything or kicks out of the traces as soon as he has hitched up.

Business organizations are a scattered horde, often fighting each other on things on which they might and ought to have perfect agreement. The federation of labor is a real thing, while the federation of business

is weak and ineffective. Business is afraid of coming out into the open and laying its cards on the table. It has been so long denounced and frowned down that it seems to accept the position of pariah in government. There is today no warrant in truth for this and no reason except its own diffidence or cowardice.

There should be a business league, fathered, if you please, by existing organizations, but doing a practical and universal work. Its program should follow both municipal, state and national lines. It should educate business men of high standing into a willingness to serve their country. Having induced them thus far, it should support and elect them. It should compel those having appointive power to appoint a fair proportion of approved business men. It should inculcate business principles and business honesty into that proportion of public servants which will still come from non-producing and non-distributing occupations. It should see that business has fair representation in public schools, colleges and universities. And, it should keep tab on what its men do after they are elected. The present ignorance regarding the individual records of public servants is intolerable. They answer only to voters who are blind and deaf and dumb.

Public sentiment is with business today as it has never been before. It is the psychological moment, for a great business movement. It will pass by and leave things even worse than they have been—weakness and selfishness and incapacity masquerading under a many colored garment of reform—unless business men unify and take hold to balance our system of government by securing efficiency and honesty in the entire public service. The business army is an unorganized and undisciplined host. It needs direction and illumination—and it needs above all just now to discover its own power.

Railway regulation has accomplished much good, but has run to seed and needs pruning down. Business is now to be regulated by law. Shall it be regulated out of existence, or shall we have a sane consideration of its needs and its dangers?

The Clayton bill is full of possibilities and impossibili-

ties—all dangerous. In the hands of "men entirely great" it might develop safely and beneficially. But it will not be in such hands—they do not exist. Business must stand up for business rights—for the eternal principles of human intercourse as established by the experience of the ages. It has been a sleeping giant and is being bound down into helplessness. It can break the bonds and defy the host of lilliputians, only by a tremendous muscular effort of its own. To do this it must call every member of its system into action. Talking will not break the threads—nor will its own inner consciousness of latent power do it.

Organize for practical work! Get down to the details of enlisting men! The manufacturers of Pennsylvania recently demonstrated the fact that if they threw aside their fear and came out into the open and proclaimed their intentions, the crowd would flock to their banner. The whole country can be rallied under a flag of business honor and honesty and experience, in government. Not in a day, or a week, but coming surely and steadfastly under a continuous campaign of enlightenment and enlistment, and business discipline.

Comments by Correspondents

For the Good of the Whole Country.

By Rudolph Blankenburg, Mayor of Philadelphia.

Your interesting and convincing editorial urging the necessity of more active participation in public life by trained business men, meets with my hearty approval. I congratulate you upon having performed what I regard as a real public service.

Why is it that business men, as a general proposition, take no, or very little, part in public affairs? What are the reasons? What the results? The average business man appears to be satisfied and to feel that he is doing his full duty if he takes care of his own affairs, makes a living and a competency for himself, and also gives sufficient and remunerative employment to those who help him in his enterprises. He is apt to think

that if he goes to the polls and votes his party ticket—often prepared by self-seeking and avaricious politicans whose main interest in politics is their own personal aggrandizement and enrichment at public expense—he has done his full duty as an American citizen. The conscience of such a man should be awakened to the fact that if he wants to leave to his children what the fathers gained for him and left to him as a sacred heritage, he should get busy. If he would reflect for a moment, it should appear to him that as long as the business man, whether engaged in manufacturing, distribution or transportation, the farmer, the laboring man and others occupied in productive enterprises, neglect their public duties, laws may be passed that are apt, in their construction and in their interpretation, to prove of great disadvantage to him and his fellowmen.

We find that lawyers very largely predominate in the houses of legislation. Lawyers, of course, are a necessity—they are sometimes called a necessary evil—but they should not be permitted that predominance which has been theirs for many years, often to the disadvantage of the general public. The legislation passed is apt to be and has been found to be of such a character in its subtlety and consequent effect that it is not readily understood by the average man. One of the greatest faults of much of our legislation is that it is full of verbiage and dark recesses that require legal light for interpretation and that legal light, of course, has to be looked to from members of the legal profession. This is often the cause of litigation in our courts which would be unnecessary if plain, everyday English were used instead of ambiguous, superfluous and often uninterpretable language.

No language is equal to our own as a business language. Being familiar with two other tongues besides the English, it may be conceded I am a fair judge on this question. It is unpardonable to use obscure, equivocal or legal verbiage when business verbiage would serve a better purpose. Why is it that in legal documents the language used for a century or more is still adhered to, much to the confusion of the plain, everyday man? If a business man writes a contract it is apt to be plain and to the point. The average lawyer will use many more words than are needed and thus often confuse the meaning or intent of papers prepared. Much of the often prevalent red tape could also be advantageously omitted.

I remember, some years ago, when partners to a business house were in trouble, I was asked to try and extricate them. After going over their affairs, I drafted a documnet of separation of their partnership, plain and to the point. On taking it

to a prominent lawyer to put it in legal shape, he paid me the compliment of saying, "There is no legal shape needed. It is the tersest and clearest agreement of the kind that has ever come before me." Yet I had no legal training, simply business knowledge and I knew exactly what I wanted.

Let us take as an example the income tax law, prepared by the shining lights of Congress, among whom there are lawyers of national reputation. If there ever was a document produced of unnecessary verbosity, unintelligible in its diffuseness, absolutely harassing to interpret, the income tax bill is such a document. It has been amended and re-amended; one explanation needed another, and on the whole even the proverbial Philadelphia lawyer has to tax his ingenuity to the utmost and then will run against snags that can be removed only by a new, sensible bill. I made this statement in a speech delivered at a banquet at which one of the most distinguished lawyer members of the House of Representatives at Washington was present. Sitting next to me, he said, sotto voce, "I am one of the men who drafted that bill," and he made a note, for he was to follow me as one of the speakers and probably wanted to haul me over the coals for my temerity in criticising that august body—but he never referred to my charge, probably knowing that it was correct.

The income tax is not popular in itself, but it is made much more unpopular because it is almost impossible of a correct interpretation. Lawyers have probably been consulted more about the meaning of many of its paragraphs than on any public question that has arisen for years. If the Ways and Means Committee had had some trained business men with good, hard sense among its members, I am sure a bill much more readily understood, and therefore more acceptable, would have resulted.

The business man ought to be seen and heard in our places of legislation and given his share in preparing laws largely intended to be for his protection in his daily affairs. If we look at the proceedings in our courts, all over the country, the vast majority are business cases and they often find their way into court because of the flexibility or ambiguity of the law, which may be turned and twisted in most any direction as an able, and sometimes unscrupulous, lawyer may desire. Let the business man participate in forming the laws and he will, I am sure, avoid many pitfalls and rocks he now encounters. But aside from the material advantage which would accrue to him, he should never forget that he should be an American citizen first and a man of business afterward. As business men I call all those engaged in creative occupations.

The many business men's associations now existing and daily

being formed in large and small cities, in fact, in every community, should take up the question of sending strong business men to Congress, to the halls of legislation in our states and the legislative bodies in our municipalities. Then the result would definitely show that the business man in politics or in public affairs is not only a necessity for his own good, but also for the good of the whole country.

Organization of Business Men, the Remedy.

S. P. Bush, Columbus, Ohio.

December 22, 1914.

Editor, Railway Review.

I have read, with interest, in the December 5th edition of the Railway Review, your editorial on "The Business Men," in which it is pointed out that the business interests of the country have been very much neglected, in fact even injured, because the enactment of legislation in recent years has been left largely to lawyers and a few others who are ill-informed as to the economics of and the conditions surrounding business and its needs.

You point out that the business world has had little or no representation in the making of all those laws which so vitally affect it, and suggest that until business men get into politics and undertake to secure fair treatment by direct participation in legislation, the existing evils will continue. It is true that there are serious evils and conditions as you point out. Laws affecting vital economic matters are enacted by those who do not from experience have that understanding which experience alone can supply, and the regulation of business is conducted, as a rule, by those wholly incompetent.

That the business man is responsible for this situation very largely, there can be no doubt. The neglect of his important duties of citizenship have been most flagrant. Such a statement is not the result of careless or superficial thought. Business men themselves, and the people generally, regard the business man as one of the most intelligent elements of our population. If it were said of them that they were not among the most intelligent they would undoubtedly resent it, but if they are superior in intelligence their responsibilities of citizenship must therefore be all the greater, and hence their neglect has

been flagrant, not so much perhaps, in failure to secure direct representation in legislative bodies as in failure to exert any considerable influence or put forth any material effort in their own behalf and in the general welfare.

I do not believe that it is so essential for the business man to go to the state legislature or to the national congress as it is that he should be organized and vitally interested, and through this interest and organization exert the influence which he very readily could. To my mind the most essential and practical course for the business man to pursue is to educate himself, to organize and exert some influence in his own community in proportion to his ability and responsibilities, and to participate in state and national activities.

The Chamber of Commerce of the United States, organized but recently, has already given evidence of the power and influence that the business man may exert. I venture the statement that but for the influence of this organization and a few others, important laws enacted by the last congress would have been far more radical, and in some instances injurious, than they have been. To those who are informed this is well known, and yet what was done was accomplished by a comparatively small element of the business world. Think of what might be accomplished if the business men in every community were organized and vitally interested, as in the case of farmers or laborers.

It would seem that it would be a very much simpler matter for the business man to organize than to get into the legislature. I do not believe it is quite fair to say that the lawyer is not in his proper place in the legislature. All things considered, I believe he is as well if not better equipped than any other class of people. He can become informed concerning the vital questions of business if the business man will take the trouble to inform him, as the laboring man and the farmer do, and if business is organized and the power of the organization used intelligently, it would seem that everything essential could be accomplished.

As a matter of experience, therefore, it would seem that the solution of the problem that you present lies in the direction above indicated, viz.: the giving of a little time, the display of real interest and organization intelligently directed. There are many difficulties standing in the way of a business man becoming a legislator or getting into politics, the most important of which is that he does not desire to do so, and one seldom succeeds in doing that which they do not like and for which they have no natural aptitude. This is not to say that there are no business men who are not well qualified, but

the number of those who are is very small. The few business men who have gone into politics cannot be said to have been conspicuously efficient, and the difficulties standing in the way of his getting to the state legislature or to the national congress are so great as compared with the opportunity offered for exerting the necessary influence through organization that it would seem that the way out is by the course of least resistance, particularly when this way would be quite as effective.

Extracts from Letters to the Editor.

BUSINESS MEN AND PUBLIC SERVICE.

By David R. Forgan, president, the National City Bank, Chicago:

"I have read with a great deal of interest and cordial assent your editorial on 'The Business Man.' There is no question as to the timeliness of the article, nor the truth of its statements, neither can there be a question as to the advisability of a widespread propaganda along the same lines. My only fear is that it is practically impossible to nominate or elect business men of right standing to office. They could get the business men's vote, but that is small in comparison to the great uncounted vote of the unthinking mass.

"It is a strange thing that all good institutions for the upraising of humanity, including churches, universities, hospitals, missions, and all kinds of philanthropies are, every one of them, direct or indirect fruits of the efforts of the successful business man, and yet it has become the fashion to make him out as the worst citizen of the republic, instead of being, as he is, both the best and the most useful.

"The colossal failure in this country, to my mind, is politics, and that is the one great thing that is not run by business men. If a propaganda could be pressed in support of the idea that obtains in older countries, namely, that a successful business man, at the age of say fifty-five or sixty years, when he has made all the money he requires, should retire from business and devote his still vigorous energies to the patriotic service of his country, it might bring about what this country needs more than any other one thing."

By Robert P. Lamont, president, American Steel Foundries:

"You have 'hit the nail on the head.' I have heard the same

general idea expressed by one or two lawyer friends of mine, who are big enough to realize the situation; but I have never seen the idea elaborated so thoroughly and set forth so convincingly as in this editorial. It should have wide publicity."

By Howard Elliott, president, New York New Haven & Hartford R. R.:

"Perhaps I can best answer by enclosing copy of a letter which I wrote to a friend of mine a short time ago, who sent me an article entitled 'Send Business Men to Congress."

The letter in question was addressed to Arthur Wyman, of the Chicago Railway Equipment Co., and is as follows:

"I have read with much interest your article entitled 'Send Business Men to Congress.' You are absolutely right. One of the difficulties in this country today is that what you call 'the rules of the game' are being made by people who know nothing about the game that is to be played. In other words, the complicated and intricate business affairs of the United States are being conducted under rules and regulations made by men who have little or no experience in the conduct of such affairs. The net result is a chaotic condition and ultimate depression of business, such as we have now, particularly in the transportation business.

"How to cure the trouble is a serious question. In the early days, when business men engaged in politics and held office, some things were done that were selfish and that aroused the people into a revolt against business. Now, politics has taken charge of business, and the results are, in my judgment, even worse. I think we are approaching a time when business men, in self-defense, will take a proper part in political life, not for selfish reasons, but for the common good of all. One difficulty is that too few men pay any attention to the primary forms of politics, namely, the selection of men for unimportant offices on committees, etc., and the result is that a relatively few active-minded men 'boss the job.' The fact that only about half the voters of the country exercise the right of franchise opens the door to manipulation by those who make politics a business, and prevents bringing about the results that you suggest. I agree with you that it would be foolish to try to attempt to create a new party, but I think the business organizations could work within the old parties, and that every individual could contribute something, and that it is time for business men to wake up to the seriousness of the situation."

By William McConway, president, McConway & Torley Co., Pittsburgh, Pa.:

"I cannot express to you the feeling of satisfaction which I experience from the reading and the re-reading of your editorial on 'The Business Man.' It covers so fully the ground over which my thoughts have been traveling for the last six months that it seems as though the article might have been inspired by some sort of telepathic communication between this office and that of the Railway Review.

"It is not my purpose to enter into a discussion in detail of the thoughts which you have so lucidly set forth. In our office here we have recently been discussiong ways and means for presenting these ideas in concise form, and in doses not too large. This seems to me to be a time when the country ought to be filled with epigrams throughout the length and breadth of the land covering all points on this subject, and in words so forcible that they would hit the attention, and of such brevity that the mind would hold them and the readers quote them; and in respect to this matter if I have one dominating thought on the subject it is that some method shall be adopted for this propaganda, and that it shall be organized at once. I think that the various business associations are ripe for a movement in that direction."

By W. H. Truesdale, president, Delaware Lackawanna & Western R. R., New York City:

"The editorial which appeared in a recent number of the Review, entitled 'The Business Man' is a most excellent article, and very clearly and convincingly points out a condition which is, as you state it, dangerous, and has resulted in the passage of a mass of laws which now grace the statute books, national and state, which are unreasonable, unjust, and un-American, and ought, as Senator-elect Harding stated in his speech the other night, be repealed. I think, by all means, the subject, as you have treated it, should become the basis for a widespread business and political propaganda. I am very glad you have started it, and hope you can enlist other publications to conduct some of their activities along similar lines."

By H. P. Bope, first vice-president, Carnegie Steel Co., Pittsburgh, Pa.:

"I want to say that I have read very carefully your editorial on 'The Business Man,' and I endorse every word of it. It is an absolutely correct statement of the situation, and puts in ex-

cellent concrete shape the ideas which a great many of us have in a general sort of way. I quite agree that it is time for the business man to be more assertive in matters pertaining to his combined commercial and political interests than he has seen fit to be in the past."

By B. F. Bush, president, Missouri Pacific Ry. Co., St. Louis, Mo.:

"I believe you have portrayed a condition in our governmental agencies which for a long time has been a serious detriment to our practical business affairs, and relief from which can only come through such a plan as is espoused by you. A propaganda having for its object the installation of high standard, common-sense, experienced business men in public office, instead of the class sought and now filling the positions, would, in my opinion, be fraught with the most beneficial results to the entire community."

By W. W. Salmon, president, General Railway Signal Co., Rochester, N. Y.:

"I have read with the greatest interest your editorial 'The Business Man.' I think it does not admit of any serious question that if we are to have saner, better business legislation and respite from the making of the kind of laws that have proven so disturbing to business for many years past, business men must organize in some manner which will enable them to exercise a powerful influence on the conduct of political affairs, both national and state. There are, in most, if not in all, communities throughout the country, conservative, capable business men who enjoy the respect and confidence of their fellow citizens, but through failure to organize in such manner as will give them a potential voice in the political affairs of the nation their views are either not known or not heeded in high places.

"As I see it, the American Federation of Labor, headed by Mr. Samuel Gompers, affords an excellent example of the potentiality of organization, intelligently and persistently working to a desired, economic end, through political influence. Whether the Chamber of Commerce of the United States or some other organization of business men can or will become the means of procuring for the business interests of this country proper consideration and just treatment I do not know, but I have hoped that such might prove to be the case, and in any event I feel quite sure that it is only through organized effort on the part of the business interests that they will ever be able to procure the kind of hearing and treatment that the welfare of the country at large requires."

By John Howe Peyton, president, Nashville Chattanooga & St. Louis Ry., Nashville, Tenn.:

"Your editorial on 'The Business Man' impresses me very strongly. That the principles laid down are wise and conservative cannot be questioned. When a man is desperately ill he needs not only a physician highly trained intellectually and theoretically, but a man of practical, common sense who has had experience in the treatment of the disease from which his patient is suffering. Our nation is now sick, nigh unto death, by reason of nostrum administered by quacks or impractical theorists. There is no hope of an effectual cure except in the treatment that your suggest."

By A. H. Mulliken, president, Pettibone, Mulliken & Co., Chicago:

"I have read this editorial with much interest. It accurately describes the business man at the present time. The problem seems to be to 'get business men of all degrees into politics as business men, and undertake to secure fair treatment of business by law.' I enclose a suggestion by Arthur Wyman, in which I think you will be interested. I would add to his suggestion that there are many business men in the United States, from 45 to 60 years of age, who would be interested in our government, if they were shown the way. Many of these business men have made money enough, and only keep on in business for the sake of something to do. If they could be directed toward the above problem I believe we should go a long ways toward solving the situation. I think there is room for several editorials from you in answer to the question."

By the president of a large western railway system:

"I have read with much interest your editorial on 'The Business Man.' The management of state and federal governments is not unlike the management of large business enterprises, and to be properly and economically carried on sound business methods must obtain in government, as well as in business generally. Every business man who has had to deal with government in its relation to his business knows that there is too much politics and too little business in the administration of the affairs of government. And it may safely be said that much of the business disturbance of the present time is chargeable to the failure or inability of those who make laws regulating business to discern between proper regulation and regulation that merely annoys and harasses business. There has been too much of the

latter kind of regulation due, probably, to a lack of knowledge of business methods and business necessities. To remedy this situation business men should have a larger part in the framing of laws than heretofore."

By Alba B. Johnson, president, Baldwin Locomotive Works, Philadelphia, Pa.:

"I have read the article on 'The Business Man' in politics. I am cordially in accord with the argument which you present. Many of the ills from which we are now suffering are the result of a preponderance of lawyers and theorists in the commissions created by the government, rather than business men of experience; and I think that nothing but good to the whole people of the United States would result from increasing the number of experienced conservative business men in the legislative bodies of the nation."

By E. P. Ripley, president, Atchison Topeka & Santa Fe Ry., Chicago:

"I have read with much interest the editorial on 'The Business Man' in your issue of December 5. I quite agree with you that it is time that business men have some consideration in matters of legislation. At present they have nothing to say, although they are the principal object of the solicitude of our legislators, composed mainly of lawyers. The law is an ancient and honorable profession, but there is altogether too much of it in our government. The main trouble seems to be that the lawyer is educated to talk in public, that he seeks public office as a stepping-stone to employment, and that his facility as a speaker enables him to control votes. It is difficult to see how his selection for office can very well be avoided, so long as he is able to get votes by reason of his talk, and I think that business men fail to be elected simply because of their inability to express their opinions in public."

By T. H. Symington, president, T. H. Symington Co., Rochester, N. Y.:

"I note with interest your editorial on 'The Business Man.' There is no doubt about the fact that we should have more business men in charge of the gigantic affairs of our country, in both national and municipal issues. I have given this matter a great deal of thought in years past, and am utterly unable to figure out myself what procedure would enable us to get the men we

want in important places in our government. It is not possible to pay such men as much money as they can earn in private life, and also larger salaries would not eliminate lawyer competition.

"It seems to me that, first, our individual patriotism should be more keenly aroused, and that the important positions in the government and on the bench should be made marked posts of honor, both in the business world and the social world. This condition, coupled with adequate salaries, would help to bring about a higher man efficiency at the helm. It will not only be necessary to make these positions attractive and appealing to the kind of men we want in office, but the voting majority must also want such men to accept office and vote for them.

"It is a true saying that 'no government is better or worse than the people governed,' so that the propaganda must not only be of widespread business and political character, but toward the further enlightenment of the whole people, which would necessarily result in a higher type of government. While I do not approve of the German philosophy in toto, yet I think that we, as a people, would be vastly improved, and our government would be vastly improved, by a strong mixture of German 'Kultur' in our national life."

By Francis Ralston Welsh, investment bonds, Philadelphia, Pa.:

"The editorial in the Railway Review seems to me excellent. Only two days ago I was speaking of the necessity of lawyers having business training and experience if they were going to have any real practical common sense. The head of the bar here, John G. Johnson, is notable on account of his understanding of business matters, and the former head of the up-state public service commission in New York, Mr. Stevens, was also a practical business man, and it was a great loss when politics put him out of office.

"You speak of custom having left it to the lawyers to do all the talking. There is a good reason for this, namely, that the lawyers are trained to talk and write, and business men are not, so that as a class they neither talk nor write with facility, and often have reluctance to express themselves in consequence.

"In my work of selling and passing upon issues of bonds I invariably read the mortgage securing the issue before taking up any bonds, and have read in my time upwards of 4000 mortgages, which is probably at least four times as many as most lawyers who make a specialty of that sort of thing have read. In the majority of cases I find that the

lawyer who drew the mortgage has very evidently no practical knowledge of or good judgment about the business and practical conditions of the corporation whose bonds he is seeking to secure. I have turned down many issues simply and solely because they did not adequately protect the investor, though the property might be sufficient for that purpose, if the bonds were a proper lien upon it, and this very frequently is the case because the lawyer who drew the mortgage is not competent to do his work properly, and generally from an utter lack of understanding of the business and general conditions of the corporation on whose property he is creating a lien. Only recently I have been associated with a lawyer who is brighter and far better educated than the average, and has had something like 40 years' of experience. He is a counsel of a friend of mine, and I have all the time to supply practical common sense in order that my friend's case may not go by default and be lost in a maze of mere legal technicalities.

"The reason so many lawyers get along is because it is their clients who suffer for their blunders, but on the other hand it has been my experience that the great majority of business men do not understand their own business with any thoroughness, and in most instances it is largely a matter of hit or miss. What we really need is more care and thoroughness in all walks of life, and that people should be taught more self-control and more power of self-denial, in order that they may make more substantial progress and be better off in the end. Today nothing is more common than wholesale and indiscriminate denunciation, and this is largely because that is so much easier than taking the pains to ascertain the truth and differentiate between individuals and cases."

By Charles R. Robinson, general manager of sales, Lackawanna Steel Co., Buffalo, N. Y.:

'There is no doubt that the subject is a very broad and constructive one, both politically and economically, and it cannot, in my judgment, be given a too wide discussion and distribution. If business of this country of any caliber, either small or large, is to continue along constructive lines, it seems to me it will be absolutely necessary for business men—as you and I understand that term—to take more of an interest than they have up to the present time in the multitudinous laws and regulations that are being formed constantly by others for their conduct. You are, in my

opinion, to be commended for your able article, and I hope you will not drop the subject with that one editorial."

By H. U. Mudge, president, Chicago Rock Island & Pacific Ry., Chicago:

"The article states the case clearly. It is doubtful whether, under our form of government, a sufficient number of business men can be either elected or appointed to office to very much affect the situation. There is no doubt, however, that whenever the real business men of the country take sufficient interest in the country and in the legislation being enacted, they can bring about a very much more business-like administration of government affairs, and this they are seemingly beginning to do at the present moment."

By H. H. Westinghouse, president, Westinghouse Air Brake Co., New York City:

"I have read with interest your editorial in the Railway Review of December 5, entitled 'The Business Man.' I am fully convinced of the great importance of the subject you ably dealt with, and believe that the more there can be impressed upon public officers that have appointive power their large responsibility for the present business situation the sooner we will be relieved from many of the unnecessary and injurious restrictions that have been and are still being imposed upon normal and correct business methods."

By J. L. Barnard, secretary, Elyria Iron & Steel Co., Elyria, Ohio:

"Your editorial 'The Business Man' in the Railway Review of December 5 is an able and timely discussion of a subject that is bound henceforth to demand the serious attention that it deserves. The business men are beginning to awaken to the fact that they cannot sit placidly and contented, engrossed wholly in their business affairs with the secure feeling that these national and political problems will take care of themselves; or with the feeling that perhaps the other fellow will look after it. The 'other fellow' certainly has 'looked after it' with a vengeance, and with just the results touched upon in your editorial."

Econ 7262.4

64TH CONGRESS, 2d Session | SENATE | DOCUMENT No. 698

IMPORTANCE OF OUR SOUTH AMERICAN TRADE

ADDRESS

ON THE

IMPORTANCE OF OUR SOUTH AMERICAN TRADE, DELIVERED BEFORE THE CITY CLUB IN BOSTON, MASS., ON NOVEMBER 16, 1916

BY
ANDREW J. PETERS
ASSISTANT SECRETARY OF THE TREASURY

PRESENTED BY MR. FLETCHER
DECEMBER 21, 1916.—Referred to the Committee on Printing

WASHINGTON
GOVERNMENT PRINTING OFFICE
1917

HARVARD

SENATE RESOLUTION NO. 341.

[REPORTED BY MR. CHILTON.]

IN THE SENATE OF THE UNITED STATES,
January 31, 1917.

Resolved, That the manuscript submitted by the Senator from Florida (Mr. Fletcher) on December 21, 1916, entitled "Importance of our South American Trade," by Hon. Andrew J. Peters, Assistant Secretary of the Treasury, be printed as a Senate document.

Attest:

JAMES M. BAKER, *Secretary*.

IMPORTANCE OF OUR SOUTH AMERICAN TRADE.

By Hon. Andrew J. Peters, Assistant Secretary of the Treasury.

The development of foreign trade has not been a primary consideration in the United States. Here it has received less attention than in most countries. In this country many factors have prevented foreign trade from being deemed of the first importance. It only occupied this position for certain cotton producing States during the early nineteenth century. There have been so many enormous demands upon the energy of our people individually and as a nation that it would have been, perhaps, surprising for us to have taken a broad, national view of foreign trade and its requirements over a reasonably long stretch of time. The building of the West, with its ever-receding frontier, has been, after all, the one great national undertaking that we assumed and that we fulfilled during the nineteenth century. Coincident with that gigantic conquest and cultivation, and in some respects due to it, have been the tremendous industrial advances recorded, especially in the second half of the nineteenth century, to which again we were obliged to sacrifice all our time and energy. These industrial advances were stimulated by the high labor cost and the low cost at which raw materials were producible, which resulted in the necessity of taking any measures which might save labor; and, of course, the obvious measure to take is the production and use of labor-saving machinery. What a striking contrast this was with conditions in Europe, where abundant labor was always available, and is—under normal conditions—to-day; where the sources of raw materials are poor and in many instances close to exhaustion, and manufactured materials are producible only at high cost; a situation which compelled European manufacturers to concentrate their attention upon economy of material. This practice has readily permitted them at all times to adapt themselves to any foreign market; while our relative indifference to materials has not been offset, so far as foreign trade at least is concerned, by our labor-saving devices, which excel and forestall generally those in use in other manufacturing countries. Fast as our production has increased, in recent years our consumption has almost kept pace with it, and our domestic market has absorbed nearly our whole output.

It must not be thought that I imply that we have never had our foreign trade traditions. That would, indeed, be a calumny if uttered in Boston. Nearly a century ago New England was busily engaged in the foreign trade and did no small share of the shipping from Europe to the Far East and to Latin America. A people can not be engaged in that business very long before it will reach an advanced stage and actually take up the business of supplying many of the things called for by the customers of the nations for whom before it was simply the carrier. New England traders were known every-

where as carriers and came, indeed, to be known in many places as manufacturers. However transitory a visit anyone may pay to Latin America, he is certain to come upon traces of their long-continued activity. In my visit there last spring I was taken to a hacienda or big farm in the country of Argentina. There we were all entertained at a house whose bricks, windows, and woodwork were all carried out by sailing vessels from Boston. One could easily recognize its homelike New England characteristics. So great was the volume of traffic rounding the Horn that a United States squadron patrolled South America for more than half a century, with Montevideo as its headquarters. The genuine friendship that Uruguayans bear us to-day is, perhaps, to no small extent to be attributed to the traditions attaching to those frigates and to the intimacies growing out of the frequent calls of the merchant vessels to which that friendly squadron assured protection—protection not indeed from remote possibilities of hostile aggression, but from the uncertainties and inclemencies of the South Atlantic.

Nearly all that activity seemed to pass away with the Civil War. We became absorbed in the West, as I have suggested. In the West capital found better return and a practical demand, one that represented the capacity for huge streams of immigrants to produce wealth in a short time. But for our gigantic immigration we might have faced the distressing conditions that beset in our own day other extensive countries with much rich land, but without a constant supply of wealth-producing immigrants. That is an evil that, perhaps, history will find to have been the ultimate cause of Mexico's miseries. We, however, had the immigrants, the capital, and a most urgent need for all the goods that capital and labor could combine to produce. Thus the last third of the nineteenth century was one of assimilation and adjustment—economic, racial, and political. The dawn of the twentieth century found us, if not mature, at least with more accurate perceptions of our strength and of our possibilities.

We had not arrived at that consciousness of national purpose requisite to play a distinctive and national part in international commerce. Neither had we that business discipline which characterized the older nations, a discipline that enabled their financial and commercial cohorts to break ranks and take new formations with all the placidity and adaptability of well-trained soldiers. A self reliance enabled them to resist attacks whether real or, what is more dangerous, fancied—attacks of panic and loss of confidence. For that matter I am not sure that, half a generation later, we have these excellent and desirable qualities yet; but at least we have stood some shocks, we are getting our experience, and we are likely to get a great deal more before long. Our laws, too, were developed to prevent combinations to extort prices from the domestic consumers, but these very prohibitions against combinations cripple our exporters when brought in competition with those of foreign countries where combinations are not only permitted but encouraged. But in spite of our manifest inferiority in many respects at the opening of the century we launched out into foreign trade. And among the markets that presented themselves to us was the one in which we are chiefly interested to-night, Latin America. Here was and is still an obvious opening. Broadly speaking, Latin America is one of the new quarters of the world. It has an older culture than ours and it would be

to our advantage to study the systems of thought and law and other things that count in life that dominate in Spanish and Portuguese America. Nevertheless, for lack of economic pressure and, until quite recently, of immigration and because of the enormous extent of natural resources, there has been no general mastery and development of those resources. In most Latin-American countries the people to-day are merely living on the fringe of the country, so far as the natural wealth and possibilities of the country are concerned.

The vast continent of South America and the by no means inconsiderable territory of Central America—nor ought we to forget the Latin West Indies—offer an inviting market for the widest possible variety of our products and indeed for products of which we have yet produced no respectable quantity for purposes of export. The chief demand in all the Latin countries is for what we may call medial products—that is to say, for those things that are directly necessary for the protection of native raw materials. Thus everything that enters into the development of railways and transportation facilities generally is an absolute necessity for every Latin-American country, whenever it sets out to develop its resources one stage further than that which it has reached. That surely should be a significant fact for the people of this country. They might long ago have taken vigorous steps to associate in the Latin-American mind all that is new and comprehensive in railroad expansion and railroad facilities with American capital and American exporters. If we could have to our credit the completion of the Pan American Railway, which is the great inter-American railway connecting Argentina and the United States with many national railway systems constituting its respective sections, I have no doubt whatever that we should impress the Latin-American business man with our ability to do international things in a big way and with our reputed efficiency even more than we have impressed him with the Panama Canal. At present the railroads of Argentina are owned in England and I noted with interest that the locomotives there had been made in Leeds. In Brazil I observed that only a small part of the rolling stock came from the United States, and in Chile I noted a few specimens from the Baldwin works, but for the most part the rolling stock came from England or the Continent of Europe. As in railroad development so in the industries dependent upon the production of power; everywhere power houses are being constructed in Latin America in connection with municipal enterprises or the activities of public-service corporations. The machinery and, equally important, the fuel have largely to be supplied from abroad. The South American Continent has disclosed but little fuel except perhaps Argentina's recently discovered petroleum and the Colombian and Peruvian oil wells, both of which fields have not yet reached an advanced stage of development, and a certain quantity of coal in the southern part of Chile.

Then, too, there is a demand for manufactured articles of every possible and imaginable type, and, above all, those which have to do with agriculture. Uruguay, southern Brazil, and Argentina form one of the great wheat regions of the world; the demand for sugar machinery is growing constantly in the tropical sections of the continent; and the Brazilian cotton market is going to take its place some day beside that of our own South and of Egypt. Then, too, all the luxurious accompaniments of refined taste are in demand, and these

tastes in Latin America are in a remarkable degree to be found everywhere and in no way inferior to those which characterize the greatest capitals of the world. The Latin American even of moderate standing enjoys a cultivated acquaintance with the fine things of Europe—with European literature and drama, with the finest costumes that Paris and London can produce—a familiarity that is, indeed, rare in the United States. And I have mentioned here only the superficial things, for the Latin American, especially if a professional man, is closely in touch with all that goes on in the European centers of his profession; he has the latest law books from Paris, the latest scientific instruments from Germany, and is constantly alive to all the intellectual currents of Europe. This intimacy between Latin America and Europe is bound to create a strong demand throughout Central and South America for articles of refinement and culture and to create there at least as excellent a market as we have in our own country for those whose business it is to supply such markets.

What has Latin America to give in return for these by no means inconsiderable demands that she makes upon the rest of the world? She can give raw products, and those alone. Grain, fruit, meat, coffee, wool, hides, fine woods and dyewoods, rubber, precious metals, and industrial minerals. These are the things that Latin America has and which she proposes to exchange either for tools with which to get further supplies of raw material or for objects requisite to the ordinary carrying on of a highly organized and complex social system. In any one of the materials that I have mentioned Latin America seems to possess an inexhaustible supply, and her capacity to meet the growing requirements of the rest of the world for these things would appear to reach as far as human vision can foretell. In proportion as the necessities of transportation are met and the difficulties of extracting and preparing for shipment or even for manufacture on the spot of these raw products, the economic wealth of Central and South America will loom larger and larger in the eyes of international economists.

Let us see briefly how these things balance and what condition will result. So far as Latin America has been developed to this stage she owes it pretty much wholly to Europe. Europe carried Central and South America as Europe long carried the United States. Isn't it rather recently that we ceased to be a debtor nation ourselves? To-day, except possibly for one or two Central American Republics, the Latin-American world is dominated by Europe financially and commercially. The investments of Great Britain alone are really prodigious, amounting to fifty-one hundred millions of our money in public loans, national or local, in public-service corporations, and in banking and transportation. To some extent the vast trade that Great Britain enjoys with Latin America is nothing more than disguised interest upon these great investments. Great Britain has come to depend upon the food products of Latin America to such an extent that her subsidized shipping lines, which have to maintain a continuous stream of food-bearing vessels from Argentina and Uruguay to England, have always been willing to reduce the outgoing freight rates even below actual cost, in order not to have the boats which necessarily must return to South America go out empty. That, perhaps, is the secret why the exporter from the United States has often found it cheaper to send his goods to Southampton for transmission to Latin America

than to send them direct from Boston or New York. This is a thing that we must overcome.

Moreover, European banks have been in South America in some cases for nearly a century, and they have been very strongly established for over a half century. These banks are ready to give credit, and they are so closely allied with the merchant that they are always willing to back him up and enable him to sell credit, although his main business is to sell merchandise and not credit. The power of these European financial institutions is soon realized by any man who seeks to enter a Latin-American market, and he is indeed grateful for the initiative and enterprise that has characterized the policy of one of our great national banks now opening branches throughout Central and South America.

This South American market is inviting but we have to work fairly hard in order to earn our share therein. I have just mentioned in passing the constructive policy of a financial institution in this country; but, of course, we ought not to expect one bank to do it all. More banks have got to cooperate in handling our business for us in Latin America, and now that the Federal reserve act has been amended banks may combine to open joint branches anywhere in Latin America. Similar facility for cooperation is afforded the business man by the so-called Webb bill. This act will permit the joint operation by United States firms of foreign selling agencies, and thus what has proved a most effective machine in the hands of European business men will be available to our business men. This bill is now before Congress and we have every reason to hope that it will be passed. We hope also for more intelligent and consistent support from the business men and from the lawyers for the work that the International High Commission is doing in the direction of simplifying and liberalizing the principles of commercial law as between the Latin American republics and the United States. This commission, growing out of the First Pan American Financial Conference, held in Washington last year, like many other beneficial results of that conference, served greatly to promote closer financial and commercial relations between South and North America. Other means of improving our ability to meet the European competitor on something like equal terms will be the study of Latin American law in our law schools. In this way, many members of the bar will have, for a time at least, close contact with Latin American legal thought that will enable them in later practice effectively and intelligently to advise business men. Similarly, our schools must teach Spanish. It would be, in my opinion, an excellent step if a practical knowledge of Spanish based on at least two years' study were demanded of each graduate of any of our high schools, and if a similar knowledge of Portuguese as well were obtainable in our high schools of commerce. I think that the city club might very well charge itself with the responsibility of seeing that the Boston High School of Commerce be prepared to offer such facilities.

There is one group of bankers to whom especially we must look for assistance in building up our Latin American trade. The willingness of the investment bankers to tie up money in Latin America for a long period will determine to some considerable extent the demand in Latin America for our products. Many investments exist in South American enterprises of long standing, which are most conservative

in character. On account of the scarcity of money in South America their income return is substantially higher than investments of equal strength in this country. These must be investigated and placed before the people of this country. There are many other details of this sort that I could mention, including the necessity of deliberately creating here a dependable market for the other raw products of Latin America than those we normally consume, even though such a market be momentarily unprofitable. There is one thing in particular that I wish in closing to impress upon all as a vital necessity and that is the realization that business in Latin America is normally done on the basis of the 90-day note, and not on the basis of a cash check. This is a situation that may be overcome in time, but for a good while it will exist, and we must adjust ourselves to it.

We merely want our share of Latin American trade, and none of us—I know that I can speak for the business men of the United States as a whole—wishes to elbow our European friends out of South America. We simply hope and intend that we shall not be obliged to pay toll to Europe for doing our banking or shipping business; we hope to carry our own goods and our own mails, and even if we did nothing more than raise our national prestige thereby we would offset any other loss. But we also wish to impress upon business men of America thereby the necessity of national action and cooperation.

There is even a sentimental advantage in making our merchant flag again familiar in the South Atlantic, the South Pacific, and Caribbean. After all, isn't it true that trade is the practical moulder of political and social bonds? Doesn't experience show that the clear interest of a people or group of peoples will very often shape the development of their national ideals? Latin America as a whole is closer to Europe than it is to us; nevertheless, all the American peoples have a community of political ideals. Our governments are in every instance dedicated to self government and to peace. The peoples of these great republics should know each other, and by such knowledge gain confidence and power of cooperation. They should stand united to preserve and carry on the ideals of freedom and self-government No patronizing, condescending leadership is implied in any program of this sort, but a willingness to work together, each doing its full share. To do our full share we should strive to develop our trade with them as soundly and fully as possible so as to strengthen the economic independence of the Western Hemisphere.

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FINANCING OUR EXPORT AND IMPORT TRADE

"Let us see that for every dollar taken from the people's pocket it shall be possible to obtain a dollar's worth of the sound stuffs they need."

—WOODROW WILSON

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Boston Chamber of Commerce.

FINANCING OUR EXPORT AND IMPORT TRADE

The National Foreign Trade Council says:

> "Increase the national welfare and wealth by greater facilities for the exportation of American products and for the importation of articles indispensable to American life and industry."

Honorable David Lloyd George recently said:

> "In the absence of exchange facilities, goods can neither be imported nor exported in any appreciable quantity."

It is apparent, therefore, that to properly conduct its foreign trade, a nation must have adequate foreign exchange banking facilities.

Has the United States today the facilities necessary for carrying on its enormous foreign trade? Government statistics show the total value of the foreign trade of the United States for the fiscal year ending June 30, 1917, to be $8,953,530,240, represented by $2,659,350,685 worth of imports and $6,294,179,555 worth of exports. The balance of trade in favor of this country, therefore, amounted to $3,634,828,870, a figure never before reached in the history of this nation.

To the excess of exports over imports should also be added the enormous interest charges that foreign nations are today paying to the United States Government, bankers, and investors; and also the enormous sums necessary to sustain the organizations that are today maintained by foreign governments in the United States.

Every import and export transaction which formed a part of this enormous foreign trade had to be cleared

through some Foreign Exchange Banking House in the United States.

The National Banks of this country are the arteries through which should flow the financial transactions involved in our vast exports and imports. National Banks in practically all the large cities are today without any Foreign Banking facilities, and are not in a position to take care of the importer or exporter who must transact all his Foreign Exchange Banking through the very few National Banks that have Foreign Exchange Departments, or through trust companies or private institutions that practically monopolize this enormous business.

IMPORT TRANSACTIONS

There is hardly a city in the United States with a population of 500,000 or under which has a National Bank with a Foreign Exchange Department. All merchants located in such cities, engaged in an import or export business of any kind, are obliged to transact their Foreign Exchange business through approximately a dozen large banking houses in New York City.

The procedure in the importation of commodities should be as follows: An American importer requiring a commodity from Norway, for instance, applies to his bank for a Letter of Credit authorizing the merchant in Norway to draw on the Bank in America either at sight, sixty or ninety days, or whatever the terms of sale may be, such draft to be accompanied by shipping documents. The Bank in America issuing the Letter of Credit authorizes the merchant in Norway to draw in accordance with the terms of sale, and agrees to accept and pay upon maturity any drafts drawn against such credit, provided shipment was made in accordance with the terms specified in the Letter of Credit.

When the draft, accompanied by the shipping documents, reaches the bank that issued the credit, if it be a sight draft, the bank simply pays the money over the counter and charges same to the account of the importer. If it be a sixty or ninety day draft, the bank accepts such a draft and will pay same over the counter at maturity.

In turn the bank delivers the shipping documents to the importer and takes the obligation of the importer in the form of a trust receipt for the goods, which also is an assurance on the part of the importer to meet the draft when it becomes due.

This operation enables the importer to buy his commodities from abroad at the lowest possible price, for the reason that he does not impose a credit risk of any kind upon the seller abroad. Furthermore, the seller abroad is placed in a position whereby just as soon as he makes shipment he can immediately obtain the cash from his bank by allowing a very small discount to cover interest charges until the maturity of the draft if the draft should be a time draft, or a little interest until the collection of the draft if it be a sight draft.

EXPORT TRANSACTIONS

The reverse of this operation should be necessary for an American merchant exporting goods. The buyer abroad through his own bank, establishes a sight, sixty or ninety day credit, and the American exporter immediately upon making shipment, can take the shipping documents, accompanied by a draft drawn on the bank abroad, to an American bank and immediately obtain cash by paying a small discount charge. He is, therefore, in a position to sell his goods at a lower price for the reason that there is practically no credit risk of any kind involved in the transaction, and, furthermore, it makes immediate cash available to the merchant engaged in such transactions, so that he can make more turnovers with his own capital.

It is very important to the welfare and industry of the United States that all these transactions be handled by local National Banks who know the standing of the local exporters or importers and would be in a better position to judge of the limitations upon credits of this kind that should be extended to such exporters or importers. National Banks in Baltimore, National Banks in St. Louis and National Banks in Cincinnati are in a very much better position to extend facilities of this

kind to the importer or exporter located in Baltimore, St. Louis and Cincinnati through more intimate knowledge of the importer's or exporter's condition.

VALUE OF CREDIT IN EXCHANGE

Right Hon. Viscount Goschen, formerly Governor of the Bank of England, writing upon the credit of drawers and acceptors of bills, says:

> "The extent to which the solvency and credit of the drawer, as well as of the acceptor, of a bill, affects the value of that bill, and consequently the rate of exchange at which it will sell, does not require much elucidation. Firms of first-rate standing are said, in technical language, to 'make the best exchanges.' The price which is paid to a merchant of undoubted position for his sixty days' sight bill on a foreign country will be higher than that which is granted for a second-rate bill on the same place. The purchasers of bills must be induced, by a concession in price, to take an article of inferior security. They must be indemnified for the greater risk.
>
> "Credit is a very important element to be considered in the rate of exchange; and so notorious is this amongst those engaged in international trade that the price at which exporting houses can sell their foreign bills is looked upon as an unerring test of the credit which they enjoy among their neighbors. Thus credit causes a difference in the value even of such foreign bills as are drawn on the same day, rendering it difficult to give any exact or definite quotation of the price of long-dated paper."

The importance of dealing through local banks, therefore, is apparent. Better facilities would be provided and a very much larger export and import business would result. Facilities of this character would also help to develop large industries and have these industries scattered throughout the United States, instead of centralizing them, owing to the lack of Foreign Exchange facilities in cities other than New York.

There should be a central Foreign Exchange Banking institution through which all these transactions would naturally flow—an institution that would be in a position to rediscount at a very low rate of interest all legitimate bankers' acceptances issued on behalf of the merchant, based upon the importation and exportation of commodities.

LARGE CAPITALIZATIONS ABROAD

When leading National Banks were asked the reason why they have not established a Foreign Exchange Department, their reply was prompt that their customers' needs were not sufficiently large for them to install a department which must necessitate a separate organization. That is true in some sense of the word under present conditions, when merchants banking in the biggest National Banks throughout the country are obliged to transact all their Foreign Exchange business through some New York institution.

Today even National Banks in the United States with a capital of one million dollars cannot have their Letters of Credit recognized for the reason that abroad they are accustomed to very much larger capitalizations in banking houses than we are in the United States, as abroad the banking business is operated on the branch basis.

As a matter of fact, every bank of any consequence abroad does not maintain a Foreign Exchange Department, but transacts Foreign Exchange business of every character. In other words, every bank of any consequence abroad is a Foreign Exchange Bank in the fullest sense of the word. Most of their revenue is derived

from and the greatest part of their business consists of the financing of exports and imports.

For instance, the London City and Midland Bank, with $900,000,000 resources, has a thousand branches scattered throughout England, Wales, etc. The same holds true of institutions in other lands. They all have larger capitals and larger resources more centralized, and, therefore, they look upon a National Bank with but a mere million dollars in capital as not sufficiently strong to deal with. It is just there that a central Foreign Exchange Department in a Banking System which would become an intermediary for 7,500 National Banks of the United States would render its greatest service.

COULD FINANCE ENTIRE FOREIGN TRADE

Of the 7,500 National Banks in the Federal Reserve Banking System, only about 25 have a Foreign Exchange Department. The total capital and surplus of these 25 National Banks operating Foreign Exchange Departments does not exceed $250,000,000, which means that so far as establishing or accepting credits for the importer or exporter, they are limited to the amount of only $250,000,000 at any one time.

Considering that the majority of these credits average sixty days, the accommodations and facilities extended to American importers and exporters by these 25 National Banks cannot exceed $1,500,000,000 annually, leaving a balance of $7,500,000,000 which must be handled by trust companies and private banking houses that have no limitations of any kind and can accept and engage in this credit selling business to importers or exporters in unlimited sums.

A central Foreign Exchange Department in the Federal Reserve Banking System would have the capital and surplus represented by 7,500 member banks totaling about $2,000,000,000, and could easily take care of the financing of over $9,000,000,000 worth of foreign trade.

All Foreign Exchange operations should be based upon the actual importation and exportation of commodities. Commodities exported from the United States

to Norway are intended to establish a credit balance in Norway to be drawn against first by the American importer bringing commodities from Norway into the United States; the remaining balance to be used to equalize debit balances in other countries. It is also, in a good many instances, balanced with shipments of gold.

These facts in themselves are sufficient to show the inadequate Foreign Exchange Banking facilities available to business men located in any part of the United States outside of New York City.

In addition to these facts, however, there is attached to this statement a book containing reproductions of a number of letters addressed to the Secretary of the Treasury, from various sources, which show conclusively that adequate Foreign Exchange Banking facilities should be provided by the United States Government at the earliest possible moment, and that this is a subject of vital National importance affecting every branch of industrial and commercial activity.

DOLLAR DEPRECIATION AFFECTS NECESSITIES

Notwithstanding the tremendous trade balance in our favor amounting to $3,634,828,870 for the fiscal year ended June 30th, 1917, the American dollar is selling in neutral countries at a discount of about 20 per cent. This means that the American purchasers and eventually the American consumers of products imported from countries like Holland, Sweden, Norway, Switzerland, Denmark, Greece and Spain receive only about 80 cents value for every dollar expended. The consumer pays not only the 20 per cent. exchange premium, but also the profit on this exchange charge to the importer, jobber and retailer, so that the charges are nearly doubled before the transaction is finally completed.

Many persons labor under the mistaken and erroneous impression that luxuries only are imported, not realizing that many of the everyday necessities of life come from foreign lands.

Coffee, tea, cocoa, sugar, spices, olive oil, olives,

mackerel, herring, sardines, cheese, various other food stuffs, crude and manufactured drugs, chemicals, and dyestuffs are but a few of the commodities whose cost is today affected by the inability of American merchants to obtain full value for our dollar in foreign countries.

The fact should not be lost sight of that the importer or distributor of these articles is not paying for this depreciation in the value of the American dollar, but the ultimate consumer who today, in most instances, is receiving only 80 cents worth of goods for every dollar expended in his purchases.

TRADE STATISTICS—VALUE OF DOLLAR

The following table shows the value of the imports from and exports to a few neutral countries where the dollar is selling at a very low discount:

Country	Exports to	Imports from	Balance in Favor of United States
Netherlands.	$109,504,109	$31,842,144	$77,661,965
Norway.....	82,017,054	7,108,311	74,908,743
Spain.....	76,992,669	36,862,571	40,130,098
Sweden.....	45,116,443	23,642,433	21,474,010
Switzerland.	22,325,775	20,252,954	2,072,821
Denmark...	56,728,524	2,001,963	54,726,561
Greece.....	20,860,645	7,423,465	13,437,180

Below are the Exchange rates of neutral countries showing the normal rate, the quotation of August first, and the loss when converting the American dollar:

Country	Normal Rate	Quotation August 1st	Increase
Spain.....	19.30	23	19%
Sweden	26.80	33.60	25%
Norway.....	26.80	31.25	16 6/10%
Denmark.....	26.80	30	11 8/10%
Switzerland....	5.15	4.51	13%
Holland.....	40.25	42.25	4 9/10%

EXPORTS ADVERSELY AFFECTED

It may appear that imports only are affected by this depreciation of the American dollar, but such is not the case. It can readily be seen that if we are to maintain

our tremendous export trade when conditions have become normal and when the fierce commercial competition from foreign nations again sets in, we must have every legitimate advantage to hold our position in the struggle. We cannot maintain this position unless adequate Exchange facilities are provided for the merchant carrying on this line of trade.

In the absence of such facilities it will be impossible for an American manufacturer to quote his foreign customers prices on his goods that will enable him to find a ready market in competition with the products of neighboring nations. The exporter at present receives no material gain whatever from the present premiums on foreign currencies. On the other hand, the ultimate effect of the increased cost of these currencies is certain to be detrimental.

For instance, a Spanish importer who purchases an American knife for four pesetas at the present value of the peseta, will be extremely loathe to pay five pesetas for the same article when the peseta returns to normal value. This is especially true if he can obtain from England or some other country a knife for the number of pesetas now paid for the American knife.

WHAT FOREIGN GOVERNMENTS ARE DOING

The National Monetary Commission Report entitled "The Bank of France and Its Relation to National and International Credit" states:

> "The greatest treasury, if entrusted to unskillful hands, could not, of course, render much service, and while it is true to say that our holdings are in themselves sufficient, yet much depends on the manner of directing their advantageous use.
>
> "To be convinced of this, it suffices to remember that the United States and France have reserves about equal, as far as the amount is concerned, and yet their powers of resistance are quite different."

The solicitude displayed by Great Britain in protecting the pound sterling is generally known. The Right Hon. Viscount Goschen, formerly Governor of the Bank of England, in "The Theory of the Foreign Exchanges," says:

> "But comparatively few, even of leading bankers and merchants, with the exception of those who are exclusively or mainly engaged in international transactions, are as conversant with the subject as its immense importance deserves; and it is thought that the present situation of monetary affairs, in which the Foreign Exchanges are exercising an abnormal and extraordinary influence, affords a peculiarly suitable opportunity for a discussion which otherwise might be considered uninviting and superfluous.
>
> "The interest and commissions which are still paid by almost every country to English capitalists, certainly form a noticeable element in the revenue by which England is enabled to discharge her enormous foreign liabilities."

The French Government recently appointed a Foreign Exchange Commission under the Presidency of Octave Homberg, who has associated with him representatives of the Bank of France and of the Ministries of Finance and Commerce.

A recent Italian decree provides for payment of Italian import duties in gold or government notes; but in the latter case is to be added rate of Exchange which shall be periodically fixed on the basis of Exchange on Paris, London, Switzerland and New York.

The French Foreign Exchange Commission has already prohibited all dealings in futures and also elim-

inated all arbitrage transactions, confining the operations of all bankers in Foreign Exchange to actual commercial transactions.

It can readily be seen, therefore, that practically all of the foreign governments allied with us in the present struggle for democracy and freedom are protecting the value of their currencies in foreign lands and adopting any measures that may be required to carry out their plans.

Furthermore, England and France are using the credits obtained from loans in the United States to pay for a great portion of their purchases in neutral countries. Shall the United States, therefore, which has become the foremost figure in the nations of the world, sit idly by and allow its dollar to be dragged to the level it has now reached in foreign countries?

CONGRESS HAS ENACTED LEGISLATION

Congress foresaw the necessity for government facilities to enable American merchants to properly negotiate their foreign trade transactions, and by Act of June 21st, 1917, amended the Federal Reserve Act to read as follows:

> "Sec. 6. That Section 14 (sub-section E) be amended and re-enacted so as to read as follows: 'To establish accounts with other Federal Reserve Banks for exchange purposes, and with the consent or upon the order and direction of the Federal Reserve Board and under regulations to be prescribed by said Board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling and collecting bills of exchange, and to buy and sell with or without its endorsement, through such cor-

respondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties.' "

The basic principles of foreign exchange are simple. Money plays only a temporary part in international transactions. Money is simply the measure of goods that have been produced and advanced to purchasers at home and abroad, and in the end must be converted into goods again and again.

Banks occupy, in the financial world, the position held by great wholesalers in the world of merchandising. The Federal Reserve Banking System should be the wholesaler of foreign exchange for not only its 7,500 member banks but for every national bank and private banking house and trust company in the country.

PROCEDURE UNDER CENTRAL SYSTEM

With a Foreign Exchange Department in the Federal Reserve Banking System the following routine could be established:

An importer in any city of the country in need of commodities from abroad would apply to his local National Bank for a credit in the sum necessary to cover the cost of the commodity he requires. The National Bank would either apply direct to the Federal Reserve Foreign Exchange Department or through the nearest Federal Reserve Bank, which would make application to the Federal Reserve Foreign Exchange Department in New York, and this Foreign Exchange Department would authorize the merchant abroad to draw at sight or sixty or ninety days on the local National Bank to cover the amount involved in the transaction.

If the credit was to be a sight draft, the Foreign Exchange Department of the Federal Reserve Banking

System would guarantee the payment of the sight draft drawn against such credit; if the transaction was to be handled on a sixty or ninety day draft basis, the Federal Reserve Foreign Exchange Department would guarantee to discount this acceptance at a nominal rate of interest, so that the merchant abroad shipping goods on the credit issued by the local National Bank would be in a position to obtain his funds from his own bank at a low rate of interest, which would be regulated, of course, by the rate of interest that the Federal Reserve Foreign Exchange Department would charge for cashing these items.

The Foreign Exchange Department in the Federal Reserve Banking System would, of course, watch the credits of every National Bank applying for such accommodations, and would grant such accommodations only to the extent of their legal limitations.

A National Bank with $100,000 capital and in good standing would be entitled to the same facilities and service as a bank with five or ten million dollars capital.

A Foreign Exchange Department in the Federal Reserve Banking System, therefore, would become the Foreign Exchange Department for all of the 7,500 member banks in the Federal Reserve Banking System. It would be very economical to operate such a Foreign Exchange Department in the Federal Reserve Banking System, as that Department would extend its facilities to all of the 7,500 member banks, and every cashier in every one of the 7,500 member banks could transact all Foreign Exchange business for his customers without the need of establishing any additional organization to handle his Foreign Exchange business.

NOT A WAR MEASURE

Carrying out the provisions of the amendment by Congress to the Federal Reserve Act would, therefore, be not simply the adoption of a temporary war measure. Instead, the government would be supplying an omission and a deficiency in the Federal Reserve Act. Already the government had seen the necessity for regu-

lating Domestic Exchange, and in the plan put into operation about one year ago, provided the machinery necessary to make the dollar in San Francisco or Chicago worth a dollar in New York or New Orleans. It still remains, however, for the government to protect the value of the American dollar in foreign countries, and this power has been placed in its hands by the Act of Congress referred to above.

By making use of this power the United States Government will be merely following in the footsteps of our allies, who have already taken the measures necessary to protect their currencies. Unless this action is taken and taken promptly, it will be a matter of months only when the tremendous foreign trade of this country which American merchants have labored so diligently to build up and which has been fostered and encouraged by the expenditure of vast sums of money by the United States Government, will be tremendously curtailed and impaired on account of sheer inability of American merchants to properly conduct their Foreign Exchange transactions.

The United States now has capital to lend. It is a creditor instead of a debtor nation, and the American dollar is becoming as important a unit of international exchange as the pound sterling. It is the beginning of a new era in the economic history of the United States.

SYSTEM WOULD STIMULATE FOREIGN TRADE

The establishment of a Foreign Exchange Bureau in the Federal Reserve Banking System, therefore, would extend the Foreign Exchange Banking facilities to all of the 7,500 member banks, and the merchant located in Boston, Chicago, St. Louis, New Orleans, San Francisco or any other city in the United States would have at his disposal, through the medium of the local National Bank with which he deals, the proper facilities for financing his foreign trade.

Such a central clearing house would not only furnish merchants located in various parts of the country the facilities necessary for carrying on their own business,

but its operations would extend even further. For instance, a man in St. Louis making a shipment to Norway would furnish, through the medium of the Foreign Exchange Department of the Federal Reserve Banking System, the means by which a Boston importer of commodities from the European country could make payment in settlement of same.

Therefore, such a system would not only stabilize our present foreign trade, but would be an inducement to many manufacturers to seek a foreign outlet for their products, which they are at present loathe to do because of their inexperience in foreign trade, the uncertainty of business, and especially the inadequate banking facilities for carrying on this work.

BENEFITS UNDER SYSTEM ADVOCATED

The benefits to be derived from the establishment of a Foreign Exchange Department in the Federal Reserve Banking System may be summarized as follows:

1st. Every member bank in the System would be in a position to extend to its customers facilities for carrying on a foreign trade, and the American merchant, therefore, would be in a position to transact his business with his own local bank.

2nd. It would release the total capital and surplus of the combined member banks of the Federal Reserve Banking System, approximating $3,000,000,000, so that the entire foreign trade of the United States, totaling nearly $9,000,000,000 for the last fiscal year, could be easily and expeditiously handled through the member banks of the Federal Reserve Banking System.

3rd. The Federal Reserve Banks would be in a position to purchase an unlimited supply of bankers' acceptances. This would not only be profitable to the member banks themselves, but would also have a very stimulating effect upon the development of the commercial interests of the country as a whole.

4th. The United States Government is today making enormous loans to our allies, and those nations are using their American credits to pay for their purchases in neutral countries. It would be possible, under the system advocated, to provide for the use of these loans to our allies in a manner which would not lead to the depreciation of the American dollar in foreign lands, instead of leaving the matter to take its own course, as at present.

5th. The establishment of such a department would to a great extent eliminate all speculative dealings in Foreign Exchange, and practically all operations would be limited to actual commercial transactions based upon the importation and exportation of commodities or securities.

In conclusion, it is obvious that through the establishment of such a Foreign Exchange clearing house for the entire United States all debits and credits arising out of legitimate foreign trade could be expeditiously checked against each other at par, after the manner of clearing checks between banks now practised in every city in the United States. Whatever balances in favor of one nation or another might develop from time to time could then be settled in gold or by the establishment of governmental credits, and in this way the entire foreign trade of the United States could be reduced to the actual barter basis—goods for goods—which in the last analysis all trade really is.

All the facts set forth in this booklet were compiled by financial and commercial experts by special request of Pompeian Co., Baltimore, Md.

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The Merchants' Association of New York

URGING IMMEDIATE PASSAGE OF THE WEBB BILL (H. R. 17,350) WITH CERTAIN SUGGESTED MODIFICATIONS.

January, 1917

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RESOLUTIONS.

The Board of Directors of The Merchants' Association of New York, at a meeting held January 11, 1917, received and, by a unanimous vote, approved the following report on the Webb Bill (H.R. 17,350), submitted by The Association's Committee on Federal Trade Commission; and adopted the following preambles and resolutions in relation thereto:

WHEREAS, the Webb Bill "to promote export trade, and for other purposes" (H.R. 17,350), now pending in the Senate of the United States will, when modified in the respects suggested in the accompanying report, permit co-operative action in the American export trade under safeguards that will adequately protect the American public and every individual American exporter, producer and consumer; and

WHEREAS, the Webb Bill, when so modified, will accord with, and respond to the recommendations of the President and of the Federal Trade Commission and of the Chamber of Commerce of the United States and of many trade and commercial organizations, including our own, which have strongly urged such legislation; and

WHEREAS, the Webb Bill, with the modifications suggested in the accompanying report, will fulfill the purposes expressed by these officials and unofficial bodies in respect of American export trade, and by removing the handicaps now imposed by American anti-trust laws upon American export trade will permit American exporters to utilize the advantages of co-operative action in selling the products of American labor against the competition of foreign combinations in the markets of the world;

Now, therefore, be it

Resolved, that The Merchants' Association of New York, having upwards of five thousand members drawn from every branch of the commercial, industrial, professional and civic life of New York City, and through its membership representing many

thousands of American employers and employees whose welfare depends upon the success of American export trade, renews its endorsement of the Webb Bill, with the modifications of detail suggested in the resolution unanimously adopted by its Executive Committee at a meeting held July 17, 1916, and hereby adopts the accompanying report upon the Webb Bill, and heartily endorses the Bill with the modifications suggested in the accompanying report, and strongly urges upon the President and upon the Congressional Committees having the Bill in charge and upon the members of both branches of Congress the importance of promptly passing the Bill with these modifications, and be it further

Resolved, that copies of this resolution and the accompanying report be sent to the President of the United States, to the members of both branches of Congress, and to the various trade and commercial organizations with which we are affiliated or in correspondence, and that they be respectfully requested to urge as earnestly as possible the prompt passage of the Webb Bill with these modifications of detail.

THE MERCHANTS' ASSOCIATION OF NEW YORK,
By S. C. MEAD, *Secretary*.

REPORT OF THE COMMITTEE.

January 10, 1917.

To the Board of Directors of
The Merchants' Association of New York.

GENTLEMEN:—

The Webb Bill "to promote export trade, and for other purposes," which was introduced in Congress as H. R. 16,707 on June 28, 1916, by Chairman Webb of the House Judiciary Committee, was made the subject of a report by the Committee on Federal Trade Commission of The Merchants' Association of New York, which report was approved by unanimous vote of the Executive Committee of The Association at a meeting held July 17, 1916. The Association thereby endorsed the Webb Bill with the modifications of detail suggested in the report above mentioned, and adopted preambles and resolutions urging upon the President, the Congressional Committees having the bill in charge, and the members of both branches of Congress the importance of promptly passing the bill with those modifications.

On August 8, 1916, the Webb Bill was re-introduced as H. R. 17,350, containing the modifications that had been urged by The Association. On August 15, 1916, the Bill was favorably reported by the House Judiciary Committee to the House of Representatives, and on September 2, 1916, it was passed with several amendments by the House, and is now pending in the Senate. The Federal Trade Commission, meanwhile, has published a report of nearly a thousand pages on "Co-operation in the American Export Trade," in which the Commission has fully set forth the overwhelming economic and legal arguments in favor of such legislation. In its Annual Report, dated November 15, 1916, the Commission has called attention to two amendments, adopted while the bill was being passed in the House, which amendments, the Commission has stated, might "entirely nullify" the purpose of the bill. And in his Annual Address

to Congress on December 5, 1916, the President has urged that this legislation be promptly passed because, as he has stated, "the opportunity is here and may escape us if we hesitate or delay."

In the light of these developments, the Association's Committee on Federal Trade Commission has continued its study of the Webb Bill (H.R. 17,350) in the form in which it passed the House of Representatives and is now pending in the Senate; and as the result of its study, the Committee recommends that the Association endorse the bill with the modifications hereinafter suggested, and that it adopt preambles and resolutions hereto appended, urging upon the President, the Congressional Committees having the bill in charge, and the members of both branches of Congress the importance of promptly passing the bill with these modifications.

GIST OF THE WEBB BILL.

The Webb Bill (H.R. 17,350), as reported by the House Judiciary Committee to the House of Representatives, provides that nothing in the Sherman Anti-Trust Act "shall be construed as declaring to be illegal an association entered into for the sole purpose of engaging in export trade and actually engaged solely in such trade, or an agreement made, or act done, in the course of export trade by such association, provided such agreement or act is not in restraint of trade within the United States." (Section 2)

"Association," as here used, was defined as "any corporation or combination, by contract or otherwise, of two or more persons, partnerships, or corporations." (Section 1)

These provisions, with the provision that "export trade "shall mean "solely trade or commerce in goods, wares, or merchandise exported, or in the course of being exported from the United States or any Territory thereof to any foreign nation; but . . . shall not be deemed to include the production or manufacture, within the United States or any Territory thereof of such goods,

wares or merchandise or any act in the course of such production or manufacture" (Section 1), carefully limited the operation of the Webb Bill to transactions that were solely in the course of *export* trade, and effectually excluded from the benefits of the bill any transactions that in any wise were in the course of production, manufacture, or trade *within* the United States.

Sections 1 and 2 above quoted were, however, unfortunately amended in the course of passage through the House of Representatives by inserting in Section 1, before the words "within the United States" above quoted, the words "trading in, or marketing," and by inserting in Section 2, after the words, "within the United States" above quoted, the words, "and does not restrain the export trade of the United States." That these amendments "entirely nullify" the purpose of the Webb Bill is stated by the Federal Trade Commission in its Annual Report, dated November 15, 1916, hereinafter quoted.

To accomplish any of the purposes of the Webb Bill, therefore, the two amendments above criticised must be dropped and the bill, in these particulars at least, must be restored to its form as reported by the House Judiciary Committee to the House of Representatives, which has been outlined above.

If the two amendments above criticised be dropped from the bill, it will be possible for any concern desiring to enter the American export trade to obtain the benefits of the bill, either by incorporating *singly* a *subsidiary* corporation for the sole purpose of carrying on export trade, or by *joining with other concerns* and taking stock or membership in a *corporation or unincorporated association* organized for the sole purpose of carrying on export trade. To facilitate the ownership by corporations of stock or capital of any such incorporated or unincorporated "associations," it is further provided that Section 7 of the Clayton Act, restricting inter-corporate stock ownership under certain conditions, shall have no application to such "associations" unless the effect of such acquisition or ownership may be to restrain trade or substantially lessen competition *within* the United States (Section 3).

Every such "association" is required forthwith to file with the

Federal Trade Commission a statement of its place of business, the names and addresses of its officers, stockholders or members, and copies of its certificate of incorporation or articles of association, as the case may be, and a statement of "all contracts, agreements, and understandings had with any foreign or domestic association in regard to the conduct of or practices in foreign trade."

The procedure for the prevention of "unfair methods of competition" now contained in the Federal Trade Commission Act is extended to "unfair methods of competition used in export trade *against competitors engaged in export trade*, even though the acts constituting such unfair methods are done without the territorial jurisdiction of the United States." This absolutely insures fair treatment to every concern in the American export trade with which the "association" competes; and it will be observed, by referring to the definition of "export trade" above set forth, that by limiting the protection to concerns in "export trade," complaints under this Section can be lodged only by concerns that are exporting *from the United States* to a foreign country.

STRONGLY URGED BY THE PRESIDENT.

The necessity for immediate legislation of this character is fully recognized by the Administration. In his brief Annual Address to Congress on December 5, 1916, President Wilson singled out the Webb Bill for particular mention in the following passage:

"Three matters of capital importance await the action of the Senate which have already been acted upon by the House of Representatives: the bill which seeks to extend greater freedom of combination to those engaged in promoting the foreign commerce of the country than is now thought by some to be legal under the terms of the laws against monopoly. . . .

"I shall not argue at length the desirability of giving a freer hand in the matter of combined and concerted effort to those

who shall undertake the essential enterprise of building up our export trade. That enterprise will presently, will immediately assume, has indeed already assumed, a magnitude unprecedented in our experience. We have not the necessary instrumentalities for its prosecution; it is deemed to be doubtful whether they could be created upon an adequate scale under our present laws. We should clear away all legal obstacles and create a basis of undoubted law for it which will give freedom without permitting unregulated license. The thing must be done now, because the opportunity is here and may escape us if we hesitate or delay."

ENDORSED BY THE TRADE COMMISSION.

Summarizing in a letter to the Senate the results of its investigation of competitive conditions affecting Americans in international trade, the Federal Trade Commission on May 2, 1916, declared that "other nations enjoy marked advantages in foreign trade from superior facilities and more effective organizations," and that "doubt and fear as to legal restrictions prevent Americans from developing equally effective organizations for overseas business and that the foreign trade of our manufacturers and producers, particularly the smaller concerns, suffers in consequence." Moved by these considerations, the Commission earnestly recommended "the immediate clarification of the law to permit co-operation among Americans for export trade." In conclusion, the Commission impressively stated: "The Commission feels that it would fail of its duty if it did not urge the pressing need of such action immediately. If American business men are to make the most of the great opportunities now before them, are to build securely in foreign trade, and are to avoid disaster in the shock of the stern and determined competition that will doubtless follow the war, they must at once perfect the organization demanded by the conditions of international trade."

Since sending this letter to the Senate, the Commission has published in a report of nearly a thousand pages entitled, "Report on Co-operation in American Export Trade," the information it

has collected on this subject from special reports for the Commission from the United States Consuls, from public hearings by the Commission, from research by the Commission in published material, from inquiry cards and formal schedules sent to more than 25,000 American business and professional men, and from investigations in this country and abroad by the Commission's field agents. The final recommendations of the Commission, based on this extraordinarily comprehensive study, emphatically endorse the principle of the Webb Bill: "The Commission believes," says the report, "that American exporters should be enabled to compete in foreign markets on more nearly equal terms with foreign competitors. It also believes that the smaller manufacturers and producers, so far as they desire, should be enabled to share in such foreign business. It is convinced that for these purposes co-operation in export trade should be permitted. It knows that doubt as to the application of the anti-trust laws now prevents any marked development of such co-operation. It does not believe that Congress intended by the anti-trust laws to prevent Americans from co-operating in export trade for the purpose of competing effectively with foreigners where such co-operation does not restrain trade within the United States and where no effort is made to hinder American competitors from freely engaging in export trade. It is not reasonable to suppose that Congress meant to obstruct the development of foreign commerce by forbidding the use in export trade of methods of organization which do not operate to the prejudice of the American public, which are lawful in the countries where the trade is to be carried on, and which are necessary if greater equality of opportunity is to be afforded Americans in meeting foreign competitors. The Commission, therefore, respectfully recommends that Congress enact declaratory and permissive legislation to remove the present doubt as to the law and to establish clearly the legality of such co-operation.

"The Commission is confident that the enactment of such legislation as that outlined above will permit the development of the co-operative organization which must take place if the manufacturers and producers of the United States are to compete with

foreigners on more equal terms in export trade. It is also confident that this essential development can be obtained without harmful effects on the domestic market and without prejudice to the interests of American concerns which conduct their export business outside of any combination."

FOREIGN TRADE NEEDS DIFFERENT LAWS.

Laws which are fair and even, when enforced in domestic commerce against all competitors, become unfair, uneven and well-nigh intolerable in foreign commerce, where they necessarily cannot be enforced against combinations of foreign competitors and foreign consumers, and can only be enforced against American exporters.

Throughout the markets of the world, our competitors are being encouraged by their Governments to unite in highly organized combinations. Overwhelming proofs of the advantages enjoyed by foreign exporters, by foreign combinations competing with American exporters, and by foreign buying combinations which depress American export prices, and of the resulting sacrifice of our natural resources, have been published by the Commission. Meanwhile our anti-trust laws, though powerless to forbid any foreign combinations against us, nevertheless purport to regulate our entire foreign commerce, and apparently deny to our exporters every advantage of co-operative action to meet the conditions of foreign trade.

How different legislating for foreign commerce is from legislating for domestic commerce has been appreciated by Congress. The Clayton Act, prohibiting certain kinds of price discriminations and tying-contracts, scrupulously excluded from the operation of these provisions the foreign trade of the United States. Our national banks have recently been permitted to co-operate in the conduct of banking business in foreign countries. Steamship lines in foreign trade, also, are now permitted, under the supervision of the Shipping Board, to form combinations without violating the laws against restraint of trade and monopolies. These are each clear recognition of the fact that prohibitions in-

tended for the protection of our own citizens should not be extended to our foreign trade; and that if such practices, when carried on in foreign trade, should adversely affect our foreign trade, the laws governing our domestic trade are adequate to deal with the situation.

SAFEGUARDS AGAINST ABUSE OF CO-OPERATIVE ACTION.

"Two chief dangers," declared the Federal Trade Commission in its letter to the Senate, "from co-operative export organizations of American manufacturers and producers are apparent. They may be used to exploit the home market and they may be used unfairly against individual American exporters in foreign trade. The dangers in co-operative action must be faced frankly and provided against fully.

"The Commission is confident that this can be done without sacrificing the essential advantages of joint action and without altering the policy of the anti-trust laws or interfering with their enforcement. This specific extension of the law prohibiting unfair methods of competition to export trade and requirement of full reports to the Federal Trade Commission from cooperative export organizations will protect the individual exporter, while the enforcement of the anti-trust laws will prevent the use of such organizations to effect restraint of trade or monopoly in the domestic market."

The Webb Bill completely satisfies these requirements of the Commission. Co-operative action under the provisions of the bill cannot possibly be abused. Everything tending to restrain trade within the United States is expressly left subject to the Sherman Act. Only "associations" specially organized to engage exclusively in the export trade can enjoy the provisions of the bill. Full information regarding all such "associations" will always be in the possession of the Federal Trade Commission. Americans competing in the export trade against such "associations" are expressly protected against all unfair methods of competition. Greater protection to the public and to individual American competitors of such "associations" cannot be asked.

RECOMMENDED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA.

Legislation for the relief of the export trade has been repeatedly recommended by the Chamber of Commerce of the United States of America.

On March 31, 1914, the Special Committee on Trust Legislation, appointed by the Chamber, recommended "that Congress should direct the commission to investigate and report to Congress at the earliest practicable date on the advisability of amending the Sherman Act to allow a greater degree of co-operation in the conduct, and for the protection, of the foreign trade."

Upon a referendum on April 14, 1914, of this recommendation to the vote of the constituent organizations of the Chamber of Commerce of the United States of America, this particular recommendation received 538 votes in favor as against only 67 opposed.

Following this referendum the act creating the Federal Trade Commission became law, in which the Commission was empowered to investigate "trade conditions in and with foreign countries where associations, combinations, or practices of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States, and to report to Congress thereon with such recommendations as it deems advisable." By this time the European war had increased the need of legislation of this character; and on December 1, 1914, the Special Committee of the Chamber submitted another report to the Chamber recommending "that the Chamber take steps to promote the passage of a bill embodying what is obviously the desire of an overwhelming majority of the constituent members of the Chamber, as indicated in the referendum vote above referred to.

"The principles to be embodied in such a bill should, in the judgment of your Committee, be as follows:

"First.—All combinations entered into or carried on in good faith for the sole purpose of increasing, facilitating or benefiting EXPORT TRADE, including agreements, transactions and acts entered into, performed or carried out in the course of Export Trade, which do not restrain or monopolize or tend to restrain or monopolize trade within the United States shall be lawful.

"Second.—The term 'Export Trade' shall be confined to trade or commerce from the United States to any foreign nation; and the term 'foreign nation' should not include any of the insular possessions of the United States.

"Third.—That the Federal Trade Commission should be given the same power with reference to organizations, associations, agreements, transactions or acts entered into, performed or carried out in the course of Export Trade which it has reason to believe restrains or monopolizes or tends to restrain or monopolize trade within the United States, as it has under the Federal Trade Commission Act in the matter of unfair methods of competition.

"Fourth.—That none of the powers conferred upon the Federal Trade Commission in the Act entitled 'An Act to create a Federal Trade Commission,' etc., should be in any way abridged in such a bill."

In its report submitting these recommendations to the Chamber, the Committee advanced the following arguments, which are entirely applicable to the Webb Bill:

"In domestic interstate trade a combination of buyers as well as a combination of sellers can be reached by the laws of the United States. In the foreign trade, however, a combination of buyers beyond the reach of control by the United States may practically dictate the prices at which American goods may be sold in foreign markets, in the absence of authority to American manufacturers and exporters to co-operate to maintain prices abroad.

"In foreign markets, moreover, American manufacturers have often to compete with foreign manufacturers, who in many instances not only have sanction of local law for acting in co-operation with other members of their industry, but in effect receive subsidies from their governments when they sell outside their own countries. . . .

"In considering the points of opposition which may arise to the plan for amendment of the anti-trust laws here embodied your Committee desires to lay emphasis on the purposes of these laws, which were fundamentally to protect both the American consumer and the independent American manufacturer from possible oppres-

sion by the large combination or monopoly. It was not within these purposes, and it would not be sound and economically advisable even from a moral standpoint, for this government to assume to protect consumers and producers in other countries, where other conditions prevail and where governments exist with full power to act for the benefit of their own citizens, from any results, baleful or otherwise, of business combination in the United States. The sole grounds of opposition will arise from fear that through permission to combine for export trade some injury may result to American consumers and the smaller American manufacturers.

"This fear is, in the opinion of your Committee, not well grounded. The principles of new legislation recommended in this report make clear, on the one hand, that the Federal Trade Commission shall have power to restrain and prevent action by combinations in foreign trade which react as an undue restraint upon internal commerce, while, on the other, they specifically provide that the provisions of the Federal Trade Commission Act which permit the Commission to restrain and prevent unfair methods of competition (embodied in Section 5 of the Act) shall have full application to the Foreign Trade."

This report of the Special Committee of the Chamber was accepted and approved by the Chamber at its annual meeting in Washington in February, 1915.

The Webb Bill, in principle, fully responds to all the considerations discussed in this report of the Chamber of Commerce of the United States of America, and fully accords with the recommendations of the Chamber.

MODIFICATIONS NECESSARY IN THE BILL.

The Webb Bill, as reported by the House Judiciary Committee to the House of Representatives, provided that nothing in the Sherman Antitrust Act "shall be construed as declaring to be illegal an association entered into for the sole purpose of engaging in export trade and actually engaged solely in such trade, or an agreement made, or act done, in the course of export trade

by such association, provided such agreement or act is not in restraint of trade within the United States" (Section 2). And "export trade" was defined to mean "solely trade or commerce in goods, wares, or merchandise exported, or in the course of being exported from the United States or any Territory thereof to any foreign nation; but . . . not be deemed to include the production or manufacture within the United States or any Territory thereof of such goods, wares, or merchandise, or any act in the course of such production or manufacture" (Section 1).

Sections 1 and 2 above quoted were, however, unfortunately amended in the course of passage through the House of Representatives; and these amendments are wholly disastrous to the purpose of the Bill. That these amendments, unless corrected, will "entirely nullify" the purpose of the bill is emphatically stated by the Federal Trade Commission in its Annual Report, dated November 15, 1916, in which the Commission says (pp. 35-36): "Particular attention, however, is called to the fact that though the bill as originally reported to the House appears, in the opinion of the Commission, to effectively meet the purpose for which it was drafted, yet, on the other hand, two amendments were made to the bill during the debate which seem to give a basis for legal construction which might entirely nullify this purpose. The first amendment referred to was made in the first section of the bill. In order to permit co-operation only with respect to export trade, the term 'export trade' was originally carefully defined to exclude the production or manufacture of goods within the United States, but the amendment made it also exclude 'trading in or marketing' such goods within the United States. . . . Obviously a successful co-operative export organization would, in most cases, be obliged to purchase goods in the United States and therefore to trade in them. The second amendment referred to is found in the second section. This originally granted the right of co-operative association for export trade, provided such association did not involve 'restraint of trade within the United States.' But the amendment added a further proviso, namely, 'and does not restrain the export trade of the United States'. . . . The Commission is of the opinion that these provisions

of the bill would not change the present law. But the very purpose of the bill was to clarify the law, while this amendment presents the same question of construction as the existing law. The law, therefore, would be neither changed nor clarified if the bill were enacted in the form in which it was passed by the House. Therefore, the business man who is deterred from engaging in co-operative action in export trade by fear or doubt concerning antitrust laws would be left in exactly the same position as before."

To accomplish any of the purposes of the Webb Bill, therefore, the two amendments above criticised should be dropped, and the bill, in these particulars at least, should be restored to its form as reported by the House Judiciary Committee to the House of Representatives, which form has been outlined above.

Every "association" organized under the Webb Bill is required forthwith to file with the Federal Trade Commission a statement of its place of business, the names and addresses of its officers, stockholders or members, and copies of its certificate of incorporation or articles of association, as the case may be, and a statement of "all contracts, agreements and understandings had with any foreign or domestic association in regard to the conduct of or practices in foreign trade."

The Federal Trade Commission particularly recommended "that as a condition precedent to enjoying the benefit of such legislation every such co-operative organization be required, under penalty, to file promptly with the Federal Trade Commission a written statement setting forth the essential facts concerning its organization, such as name, location of its offices and places of business, names and addresses of its officers and stockholders or members, and a copy of its articles of incorporation and by-laws, if incorporated, or a copy of its articles of contract or association, if unincorporated. The Commission has the authority now to require such reports, but it should not be burdened with the work of discovering such organizations and requesting information from them. The burden of furnishing the required facts as to their organization should rest upon those who expect to enjoy the benefit of this law." (Report on

Co-operation in American Export Trade, Vol. 1, p. 380). But the Commission did not recommend, and its reasons above quoted would hardly support, the requirements that the "association," regardless of whether the Commission needs the information or not, shall file with the Commission "all contracts, agreements, understandings had with any foreign or domestic association in regard to the conduct of or practices in foreign trade." It would seem, therefore, better to omit the words above quoted, and to insert in place thereof language adapted from Section 6, subdivision b, of the Federal Trade Commission Act, viz.: "such other information as the Federal Trade Commission may require of the association making such statement as to its organization, business, conduct, practices, management and relation to other foreign or domestic association." Indeed, the Federal Trade Commission itself seems to be of this opinion, for in its report directly after the passage above quoted, in which the Commission recommends the filing of the statement of the association's place of business, the names and addresses of its officers, stockholders and members, and copies of its certificate of incorporation or articles of association, the Commission says (p. 380): "Having these facts before it, the Commission could then use the power it already has to require other reports in such detail as may be necessary to inform it fully of the activities of such co-operative bodies and to place it in a position to take such action as the public interest might require."

PROMPT PASSAGE IMPERATIVE.

Legislative action is immediately necessary.

Several months before the outbreak of the European War, a high authority addressing the National Foreign Trade Convention in Washington submitted figures abundantly supporting his statement that because of legal impediments suffered by American producers in coping with combinations of foreign buyers "in the last ten years there has been a waste of our

natural resources and a loss to American wealth from the sacrifice of copper values alone of fifty millions of dollars."

Several months after the European War had begun, the Special Committee of the Chamber of Commerce of the United States reported that the reasons which it had previously advanced in favor of legislation permitting co-operation among American exporters in foreign trade "will acquire a far greater significance when the nations now at war, whose foreign trade has been curtailed, again enter into active competition for foreign markets. . . . The situation affecting the foreign trade of the United States, created by the unexpected war in Europe, gives the ground for urging immediate action. . . ."

The Federal Trade Commission, in its letter to the Senate, has even more emphatically called for legislative action: "If Americans are to enter the markets of the world on equal terms with their organized competitors and their organized customers; if they are to expand the foreign trade of the United States as they should, and if our small producers and manufacturers are to obtain their rightful share of foreign business on profitable terms, they must be free to unite their efforts. We are in danger of being misled into overconfidence and baseless self-assurance by the imposing totals of our present abnormal foreign trade. A great part of our present foreign trade is purely war business which will end with peace. Another part is enforced buying by parties cut off from former sources of supply, and unfortunately much of this business is being done on terms and by methods that are alienating the purchasers and that insure the diversion of their trade to other countries at the earliest opportunity. Moreover, the end of the war will doubtless see vigorous efforts by Europeans to recapture lost trade. Therefore, earnest thought should be given to measures for the improvement of our foreign business."

The President, in his Annual Message to Congress on December 5, 1916, urged upon the Senate the passage of the Webb Bill in these impressive words: "The thing must be done now because the opportunity is here and may escape us if we hesitate or delay."

OPPORTUNITIES OPENED TO SMALLER AMERICAN MANUFACTURERS.

So long as co-operation in American export trade is forbidden or even hazardous under our anti-trust laws, so long must efficiency in the American export trade be restricted to those few concerns in each line of industry whose resources of capital enable them each single-handed to maintain separate organizations of their own in foreign markets.

The present predicament of the smaller American manufacturer was described by the Special Committee of the Chamber of Commerce of the United States: "In attempting to secure a foreign market for his goods the smaller American manufacturer who is in a position to produce more goods than his domestic market will consume is faced at the outset by the large expense coupled with delayed returns involved in creating and maintaining a selling agency. In order that he may take advantage of the foreign trade opportunity created by the war, together with the larger firms and corporations already established in foreign trade, he must be permitted to co-operate with his fellows in like lines of production in supporting a common selling agency and consequently in entering into agreements as to distribution, both of expenses and of profits."

Under the terms of the Webb Bill, the smaller American manufacturer will be enabled to co-operate with his fellows upon any basis of joint effort, expenses, or profits for the purpose of maintaining common selling agencies abroad, or carrying on export trade in any other form of co-operation. While the bill will, and should, leave each co-operating American export association free to decide what individuals shall belong to such association, the bill offers complete freedom to every American exporter to enter the export trade either singly or in co-operation with associates mutually congenial, and absolutely insures that neither he, nor the American public, nor any American producer or consumer shall ever be restrained or in any wise prejudiced by reason of such co-operative enterprise.

The Webb Bill promises freedom to American export trade,

opportunity to smaller American manufacturers, and stimulus to our entire American commercial and industrial life; and the prompt passage of the bill by Congress with the modifications above suggested is, therefore, strongly urged.

HENRY R. TOWNE, *Chairman,*
WILLIAM HAMLIN CHILDS,
WALDO H. MARSHALL,
GILBERT H. MONTAGUE,
S. FREDERIC TAYLOR,
Committee on Federal Trade Commission.

Harvard College Library
Jan. 22, 1916.
From the
United States Government

Econ 7262.4

SHIPPERS' EXPORT DECLARATION AND EXPORT PROCEDURE.

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, December 20, 1915.

To Exporters, Shippers, and Carriers:

Your attention is invited to Treasury Decision 35969, entitled "Shippers' Export Declaration and Export Procedure," issued jointly by the Secretary of the Treasury and the Secretary of Commerce, on December 14, 1915. These regulations, which are reprinted herein, supersede Treasury Decision 35708 issued on September 15, 1915.

The new order makes clear certain doubtful points in the first order and meets some objections directed against specific provisions. The principal modifications are as follows:

Instead of January 1, 1916, the new regulations are made effective on February 1, 1916.

No oath is required on declarations for export by vessel if total value of shipment does not exceed $100.

It is specifically provided that the declarations may be executed by an authorized agent of the shipper.

In case of shipment from an interior point for export on a through bill of lading, if it is not practicable to prepare the declaration in time to accompany the goods, it may be transmitted to the seaboard with the shipping papers.

The car manifest required for exportations by railway may be a copy of the waybill, bill of lading, or other shipping paper, or of the manifest prepared for the foreign customs.

No declaration will be required for goods shipped under any form of customs bond for exportation from or in transit through the United States, the statistics in such cases being obtained from the customs papers covering the shipment.

When the goods are sold, the selling price should be stated as the value; otherwise the market value at the time of exportation in the port of the United States from which shipped should be stated.

There appears to be much general misconception of the character of the new regulations. Their main purpose is to facilitate the collection of accurate statistics of exports as required by law. The detailed procedure laid down is to be regarded as a means to attain this end. The essential point, therefore, is that for every export shipment a declaration be presented by a responsible party—preferably by the shipper, who has full knowledge of all the facts. The shipper may, however, delegate this task to a duly authorized agent to whom full information concerning the shipment has been furnished.

On application the Bureau of Foreign and Domestic Commerce will supply up to 10 copies of this circular for distribution to shippers. Additional copies, if desired, may be obtained from the Superintendent of Documents, Washington, D. C., at the rate of 5 cents a copy.

Respectfully,

E. E. Pratt,
Chief of Bureau.

(T. D. 35969.)

Shipper's export declaration and export procedure.

Treasury Department, *December 14, 1915.*

To collectors of customs and others concerned:

T. D. 35708 is hereby amended to read as follows:

1. The following procedure is prescribed for the exportation of merchandise to foreign countries or shipped to or from noncontiguous territory of the United States on or after February 1, 1916. These regulations will not supersede any regulations promulgated for the enforcement of the neutrality laws.

2. *Shippers' export declarations.*—To avoid confusion in terms, the manifest required by section 4200, Revised Statutes, to be filed by exporters of merchandise will hereafter be known as "The shipper's export declaration." A shippers' export declaration and attached extract in the following form must be filed with the collector of customs at the port of exit for all merchandise, except shipments in bond, cleared for foreign countries or shipped to noncontiguous territory of the United States, or from Alaska, Hawaii, or Porto Rico to the United States on or after February 1, 1916. Such form is prepared in duplicate, perforated at the top, and is printed on yellow paper, 8 inches wide by 10½ or more inches in length.

U. S. Treasury Department.
Customs Cat. No. 7525.
T. D. 35969.
C. D., Nov. 20–15.

ORIGINAL—(For United States customs use only.)

SHIPPER'S EXPORT DECLARATION.

OF MERCHANDISE SHIPPED TO FOREIGN COUNTRIES OR NONCONTIGUOUS TERRITORIES OF THE UNITED STATES.

Clearance will not be granted until shipper's declaration has been filed with the collector of customs. U. S. Government export statistics are compiled from this declaration and it must be correct.

Merchandise shipped by_____
(Name of shipper.)

Address: No____ Street_____ City_____ State_____

From_____ Via_____
(Place of original shipment.) (Carrier from interior point, if any.)

For shipment on the_____
(Name of carrier. If vessel, give name, motive power, and flag, if known.)

From_____ To port of_____
(U. S. customs port of exportation.) (Foreign port or place).

Country of_____
(Final destination of goods.)

Marks and numbers.	Number and kind of packages.	Articles. Describe the articles fully, as canned pork, printed cotton cloth, printing presses, apples, etc. General terms such as meats, dry goods, machinery, fruits, etc., will not be accepted. [Read instructions on back.]	Quantity. State number of pounds, tons, gallons, yards, etc.	Value. At time and place of shipment. U. S. products, including foreign goods altered or remanufactured in the United States.	Value. At time and place of shipment. Foreign products in same condition as imported.

This form may be delivered to carrier in sealed envelope.

Waybill or manifest No_____ Date_____ Declaration C. H. No_____
(May be filled in by carrier if desired.)

I, the undersigned, solemnly and truly declare that the above statement is a complete, just, and true account of all merchandise shipped by the party named on board the vessel, car, or vehicle, and to the place or country named above, and that the description and quantity of each article is truly stated, and that the values thereof are the actual costs or values at the time and place of shipment for exportation.

Sworn and subscribed to before me
at _____
on _____, 191
_____

Signature:

_____
(Actual shipper, owner, or consignor.)

This oath to be taken before notary, collector of customs, or officer authorized to administer oaths. This declaration must be signed, but oath need not be taken on exportations to Canada or Mexico by car, vehicle, or ferry, or on shipments by vessel to any country if total value of items does not exceed $100.

DUPLICATE—For use of carrier.

EXTRACT OF SHIPPER'S EXPORT DECLARATION.

☞To be delivered to exporting vessel or vehicle and to be attached to the manifest or waybill when presented for clearance.

Merchandise shipped by_____
Address: No_____ Street_____ City_____ State_____
From_____ Via_____
For shipment on the_____
From_____ To port of_____ Country_____

Marks and numbers.	Packages.	Articles.	Quantity.	Values may be stated or omitted on this duplicate. If omitted, carrier may use these columns for noting short or over shipments.

Date exported_____ Waybill or manifest No_____ Date_____ C. H. No._____

To exporting vessel or vehicle: This is to certify that shipper's declaration is on file with the collector of customs, district No____, and above-described goods may be cleared for exportation.

_____, 191 _____,

Deputy Collector of Customs.

This export declaration and extract must be executed by the shipper, owner, or consignor of the merchandise, or by his agent. If executed by an agent, his authority must be in writing, signed by the shipper. Such authority may be indorsed on the declaration or may be separately filed with the collector of customs.

The shippers' export declaration for all shipments by vessel valued at more than $100 must be made under oath taken before a notary public or other person authorized to administer oaths, or before any collector of customs or deputy collector. No oath is required to declarations covering shipments to Canada or Mexico by car, vehicle, or ferry.

Customs officers will number declarations and extracts serially immediately upon their presentation, a new series of numbers to begin on July 1 of each year, or oftener, serial numbers not to exceed 100,000.

Shippers' declarations will be retained in the customhouse and treated as confidential and no information contained therein disclosed without the written authority of the shipper or his agent.

3. *Shipments from an interior point.*—When goods are shipped from an interior point to a foreign country or to noncontiguous territory of the United States the shipper should prepare and deliver to the carrier the export declaration and extract in the prescribed form for delivery to the collector of customs at the port of exportation. If the shipment is made on a through bill of lading, the declaration and extract should be executed at the time of or prior to the issuance of the through bill of lading and delivered to the carrier to accompany the shipping papers to the seaport. If on a local bill of lading, the declaration and extract may be attached thereto or mailed separately to the consignee at the seaboard. If the shipper prefers, he may place the declaration, but not the extract, in a sealed envelope addressed to the collector of customs, with his name indorsed thereon and the fact of sealing noted on the declaration, and deliver the sealed envelope, together with the extract, to the carrier.

4. *Procedure at the seaboard.*—Upon arrival of the goods at the seaboard, the carrier will deliver the declaration (sealed or unsealed) and the extract to the collector of customs, who will retain the declaration, certify the extract, and deliver the latter to the party designated to attend to the exportation, to be delivered to the exporting vessel as evidence that the shipper's declaration has been filed.

If the shipment originates or the declaration is executed at the seaboard port, the shipper will mail or otherwise deliver the declaration and extract to the collector of customs, who will retain the declaration, certify the extract, and return the latter to the shipper for delivery to the exporting vessel; or, if the shipper so desires, the

collector will forward the extract direct to the exporting vessel. In cases of emergency the declaration and extract may be delivered to the exporting vessel, to be attached to the manifest filed for clearance.

5. *Vessel clearance at the seaboard.*—Vessels bound to foreign countries or to or from noncontiguous territory of the United States should not accept shipments unless extracts in the form hereinbefore provided, certified by the collector of customs, or declarations and extracts therefor have been received.

The customhouse number on the certified extract must be noted on the vessel's manifest opposite each consignment and such extracts attached to and delivered with such manifests to the collector for clearance.

Clearance will not be granted to any vessel until a complete manifest accompanied by certified extracts, or declarations and uncertified extracts, for all cargo on board has been filed with the collector as required by sections 4197 to 4200, Revised Statutes, except under the following conditions:

6. *Immediate clearance.*—If the vessel's manifest be incomplete and be so indorsed by the master, immediate clearance may be granted upon application on Customs Form No. 7301 and execution of a bond to produce the complete manifest in proper form on the next business day after the departure of the vessel, with all shippers' export declarations or certified extracts theretofore received, and to cause all shippers' declarations not theretofore received to be filed with the collector of customs within 15 days after the date of clearance; provided, that if any merchandise is exported on the vessel for which shippers' declarations have not been filed, the master must present with the vessel's complete manifest a pro forma declaration on Customs Form No. 7303, enumerating in detail all such shipments.

Customs officers must not compile statistical returns from pro forma declarations unless it is shown that the shipppers' declarations can not be produced.

The manifest of a vessel bound to a foreign country or to or from noncontiguous territory of the United States must show the particulars required by section 4199, Revised Statutes, namely, the destination of the vessel, the marks and numbers of the packages, and a description of the articles, contents, quantities, and values: *Provided*, That a notation on the manifest that all values are as stated on shipper's declarations, extracts of which are attached to such manifest, will be accepted.

7. *Exportations to Canada or Mexico by railway.*—Upon arrival of merchandise for exportation at a border port, the carrier must deliver to the collector of customs a car manifest giving marks and numbers, the name of the shipper or consignor, description of the goods, and the destination thereof. This manifest may be a carbon or other copy

of the waybill, bill of lading, or other shipping paper, or of the manifest prepared for the foreign customs. The required shipper's declarations, sealed or unsealed, or extracts must be attached to such manifest.

The collector will retain the shipper's declarations, certify the extracts and return them to the carrier as clearance for the shipment.

If the shipper's declarations and extracts thereof for any goods have not been received, immediate exportation may be permitted upon the filing of a pro forma declaration therefor on Customs Form No. 7303 and execution of a bond to produce such declarations within 15 days after the date of exportation.

8. *Exportation by ferry or vehicle.*—The shipper or his agent must deliver a shipper's declaration and extract to the customs officer covering all goods exported by ferry, wagon, or other vehicle. The customs officer will retain the declaration and deliver the certified extract to the shipper, master, or driver as a permit for the exportation of the goods. The master of the ferry or driver of the vehicle will deliver to the customs officer at the close of each day all extracts received during that day, accompanied by a declaration that such extracts cover all goods exported on such ferry or vehicle during that time. If the declaration has not been filed shipment may be permitted upon the filing of a pro forma declaration and bond on Customs Form No. 7303.

9. *Shipment of bonded and in transit merchandise.*—Shipper's export declarations and extracts will not be required for merchandise withdrawn from bonded warehouse for exportation or for transportation and exportation, or for merchandise shipped under any form of customs bond for exportation from or in transit through the United States.

Customs officers at the port of exit will prepare the statistical reports in all such cases from customs papers covering the shipment.

When the port of exit is located at the seaboard, the inspector assigned to supervise the lading of such bonded goods will issue to the export vessel a permit to lade on Customs Form No. 7305. Such permit will state the marks, numbers, and description of the goods, the place from which received, and the withdrawal or entry number, and must be attached to the vessel's manifest when presented to the collector for clearance.

Customs officers will continue to send the report on Form No. 7 to the Bureau of Statistics in New York covering all articles withdrawn from bonded warehouse for exportation, for use in preparing the statement of goods remaining in warehouse.

10. *Exportations from Alaska, Hawaii, and Porto Rico via the United States.*—Shippers' export declarations and extracts for merchandise shipped from Alaska, Hawaii, and Porto Rico to the United

States for transshipment and exportation must accompany the shipment to the United States and be delivered, with the name of the exporting vessel, to the collector of customs prior to the exportation.

11. *Divided shipments.*—If a shipment is divided at the port of exit, part being exported in one vessel and part in another, a notation will be made on the extract of the amount shipped on the first exporting vessel, and a copy of the extract showing the amount shipped on each subsequent vessel will be prepared by the master or agent and presented with each vessel's manifest.

12. *Data required.*—Export statistics are compiled from shippers' declarations and all data required on the prescribed form must be furnished.

Domestic articles exported.—The value of all articles grown, produced, or manufactured in whole or in part in the United States must be stated in the column of "United States products."

Foreign articles exported.—The value of articles of foreign origin shipped out of the United States in the same condition as imported must be stated in the column of "Foreign products." If foreign articles are subjected to any process of manufacture or alteration in the United States they become domestic products and must be reported as such. Thus, sugar refined in the United States from imported raw sugar should be reported as a domestic product.

Value.—When a sale has been made of the goods shipped, the selling price should be stated as the value. When the goods are shipped on consignment for sale, or under other circumstances without a sale having been made, the actual market value at the place of shipment for exportation should be stated.

Description.—The description of the articles exported must be accurate and complete. General terms, such as dry goods, groceries, meats, machinery, millinery, etc., will not be accepted. In the case of cheese the declaration must state whether filled or unfilled; oleomargarine, whether colored or uncolored; butter, whether pure, adulterated, or renovated.

Packages.—The kind of packages as boxes, barrels, etc., and the net weight, exclusive of outer coverings, must be specified.

Quantity.—The total quantity of each article expressed in the usual measure of pounds, yards, gallons, etc., must be stated. Domestic spirits exported must be stated in gallons of 50 per cent alcoholic strength.

Country of destination.—The country of final destination of goods—that is, the country to which the goods are sold or consigned—must be shown. Special care should be exercised to state the final destination of goods shipped through Canada to Europe and of goods transshipped in the United Kingdom, the Netherlands, Germany, and France en route to other countries.

Inspection certificates.—Process butter, or adulterated or renovated butter, must be accompanied by certificate of purity issued by the United States inspector of dairy products. Certificate of inspection must be presented to the collector for meat and meat-food products exported as required by the regulations of the Department of Agriculture.

Sale of printed blanks.—Shippers' export declarations may be obtained from collectors of customs at the price of two for 1 cent or $5 per thousand. The export declarations may be printed by private parties, providing they conform strictly to the official form in size, wording, color, and arrangement, including the instructions printed on the back thereof.

(74263–1.)

W. G. McAdoo,
Secretary of the Treasury.
William G. Redfield,
Secretary of Commerce.

Treasury Department.
Customs Cat. No. 7301.
T. D. 35969.
C. D., Oct. 12–15.

REQUEST FOR IMMEDIATE CLEARANCE.

U. S. CUSTOMS SERVICE,

Collection District No. _____.

Port of _____,
_____, 191__.

I, _____
(Master, owner, or agent of vessel.)
_____of the_____
(Flag, motive power, and name of vessel.)
hereby request that clearance be granted immediately to the above-named vessel to proceed to the port of _____, country of _____ prior to the filing of a complete manifest of all cargo on board as required by sec. 4197, Revised Statutes, and prior to the filing of shippers', owners', or consignors' export declarations as required by sec. 4200, Revised Statutes, on condition that a complete manifest, together with the shippers' export declarations or certified extracts thereof, will be filed on the next business day after the departure of said vessel, and in the event of shippers' export declarations not having been received, that pro forma declarations on Customs Form Cat. No. 7303 will be filed with the complete manifest, and the delinquent shippers' declarations will be filed within fifteen (15) days after the date of the clearance of the vessel.

_____
(Master, owner, or agent of vessel.)

BOND OF VESSEL TO PRODUCE COMPLETE MANIFEST AND EXPORT DECLARATIONS.

Know all men by these presents, That _____,
address _____, _____
(Master, owner, or agent.)
of the vessel _____, as principal,
and _____, address _____,
and _____, address _____,
as sureties, are held and firmly bound unto the United States of America in the sum of five hundred ($500) dollars, for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents.

Witness our hands and seals this _____ day of _____, 191__.

Whereas the above-bounden principal has requested permission to clear the within-named vessel to the within-named destination prior to the filing of a complete manifest of all cargo on board, as required by sec. 4197, Revised Statutes, and prior to filing of shippers', owners', or consignors' export declarations thereof as required by sec. 4200, Revised Statutes:

Now, therefore, the condition of this bond is such that if the above-bounden obligors shall deliver to the collector of customs at the port of exportation a complete outward manifest of all cargo on board said vessel, with the particulars thereof, as required by sec. 4199, Revised Statutes, together with certified extracts of shippers' declarations (or such declarations as have been lodged with them), not later than the next business day after the departure of the said vessel, and in the event of the shippers' export declarations not having been received shall file a pro forma export declaration with the completed manifest, and also shall cause to be delivered to the collector of customs within fifteen days after the clearance of the said vessel all delinquent shippers' export declarations in the prescribed form; and for failure to file the completed vessel's manifest, as aforesaid, shall pay to the collector of customs as liquidated damages the sum of five hundred ($500) dollars, and for each actual shippers' export declaration not filed within the prescribed time shall pay to the collector of customs the sum of fifty ($50) dollars as liquidated damages; the aggregate liquidated damages under this bond not to exceed five hundred ($500) dollars; then this obligation to be void, otherwise it shall remain in full force and effect.

_____ [L. S.]
_____ [L. S.]
_____ [L. S.]

Signed, sealed, and delivered in the presence of—

_____
_____

U. S. Treasury Department.
Customs Cat. No. 7303.
T. D. 35969.
C. D., Oct. 12-15.

United States Customs Service
Collection District No. __

PRO FORMA EXPORT DECLARATION.

(A statement on this form must be presented with vessel manifest or car way-bill for all goods unaccompanied by shipper's export declarations, and bond given to produce such declarations. Term bond may be given if desired. Statistics are not to be compiled from this form unless declaration can not be produced.)

Statement of all merchandise for which shipper's export declarations have not been received shipped in the _____,
(Flag, motive power, and name of vessel or carrier.)
cleared from port of _____ for foreign port of _____,
country of _____, on _____, 19__

Shippers.	Countries to which exported.	Marks and numbers.	Articles. Packages and quantities.	Market value.		This column for customs use.
				Domestic goods.	Foreign goods.	Declaration received.

I certify that the above statement is complete, true, and correct to the best of my knowledge, information, and belief.

_____
Master, Conductor, or Agent of Carrier.

Declared to before me on _____, 191__

_____
Deputy Collector.

BOND TO PRODUCE SHIPPER'S EXPORT DECLARATION FOR GOODS EXPORTED TO CANADA OR MEXICO BY CAR, VEHICLE, OR FERRY.

(Bond for shipments by vessel to foreign countries and noncontiguous territories on Customs Cat. No. 7301.)

Know all men by these presents, that _____
of _____, as principal,
and _____ of _____
and _____ of _____
as sureties are held and firmly bound unto the United States of America in the sum of _____ dollars, for the payment of which we bind

ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these present.

Witness our hands and seals this _____ day of _____, 191__.

Whereas the above-bounden principal requests permission to export the within-described merchandise to the within-named destinations without producing at the time of exportation the shipper's export declarations as required by act of March 3, 1893.

Now, therefore, the condition of this obligation is such, that if the above-bounden principal shall cause to be delivered to the collector of customs at the port of exportation within fifteen calendar days after the date of exportation, the shipper's export declarations in the prescribed form for the within-described merchandise, and in case of default shall pay to the said collector of customs the sum of fifty ($50) dollars as liquidated damages for each shipper's export declaration not filed within the said fifteen days, then this obligation shall be void; otherwise it shall remain in full force and effect.

Signed, sealed, and delivered in the presence of—

_____ [SEAL.]
_____ [SEAL.]
_____ [SEAL.]

_____
_____

This form will be filed in binders by vessels or carriers as customhouse record of delinquent declarations.

U. S. Treasury Department.
Customs Cat. No. 7305.

PERMIT TO LADE BONDED MERCHANDISE FOR EXPORTATION BY SEA.

District of _____, _____, 191__.

To the Master of the _____

The following merchandise under bond for exportation has been inspected and may be laden for exportation:

Marks and numbers.	Description of merchandise.	Place from.	Kind and number of entry or bond.	Foreign destination.

Name of bonded carrier _____
(If any.)

_____, *Inspector of Customs.*

Bonded merchandise must not be exported unless a permit to lade has been granted. This permit to be attached to vessel's manifest when presented to the collector for clearance.

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The Merchants' Association of New York

Report of Committee on the Federal Trade Commission

New York, May 20, 1915.

To the Board of Directors:

THE Committee on the Federal Trade Commission submits the following report embodying its general views and suggestions concerning the subject of Export Trade, which it is understood will be one of the first subjects to be considered by the Federal Trade Commission.

The exports of merchandise of the United States increased from about $1,400,000,000 in 1910 to about $2,400,000,000 in 1913. The merchandise exports of the five leading countries of the world are as follows:

United States (1913)	$2,428,000,000
United Kingdom (1912)	2,371,000,000
Germany (1912)	2,131,000,000
France (1912)	1,295,000,000
Netherlands (1912)	1,251,000,000

No stronger proof than these figures can be offered of the vast importance of our export trade to our domestic industries and commerce of every kind, and the problems of how best to foster and develop that trade may most properly claim

the consideration of the Federal Trade Commission. In undertaking to do this it is believed that the Commission will be aided by having before it a brief but clear presentation of the agencies and methods now employed in promoting export business, and therefore the following resume of them is submitted:

1. JOINT AGENCIES:

While co-operative combinations between competitors at present are closely restricted by law, it appears that Congress proposes to consider the expediency of legislation which, under proper regulations, will permit co-operation between competitors in respect to export business. This expectation is based on Section 6, paragraph (h), of the Federal Trade Commission Act, which specifies that the Commission shall have power—

> "To investigate, from time to time, trade conditions in and with foreign countries where associations, combinations, or practices, of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States, and to report to Congress thereon, with such recommendations as it deems advisable."

Combinations of manufacturers for the promotion of their mutual interests in export business have existed in various forms for many years, and an investigation of the results accomplished by them should afford evidence concerning their usefulness in the forms in which they have thus been tested. One of these, for example, comprises five manufacturers located in Philadelphia, who for several years have united in the publication of joint advertisements intended to reach foreign customers, and in other arrangements for the promotion of their mutual interests, their several lines of product being

distinct and non-competitive. The manufacturers thus referred to are the following:

Henry Disston & Sons, Inc.,
North Brothers Manufacturing Co.,
Miller Lock Co.,
Fayette R. Plumb, Inc.,
The Enterprise Manufacturing Co. of Pa.

Probably investigation will disclose the existence of other similar organizations, and an investigation of the results accomplished by them should furnish information of interest and value.

In other cases a group of manufacturers have united in the employment of one or more salesmen to canvass foreign markets in the interest of their combined lines of product. While in some cases this plan has been moderately successful, in others it has failed because of the practical impossibility of one salesman becoming sufficiently familiar with the technical details of a number of unrelated lines of product to qualify as an expert in all of them, and to present them effectively to customers. The difficulty thus implied has greatly been enhanced where the salesman has not been able to present his arguments in the language of the country in which the customers were located.

The joint agency, while sound in theory, apparently has not often proved satisfactory in practice. Such agencies heretofore have usually related to groups of *non-competitive* manufacturers, and the divergence of the interests thus artificially brought together doubtless has been a reason, perhaps the chief reason, why such joint agencies have not been more successful and satisfactory. The associations in foreign countries to which the foregoing quotation refers, are usually composed, on the contrary, of groups of *competitive* manufacturers, having like interests and thus constituting each a homogeneous unit.

There is abundant evidence to show that associations of this kind have been of vast benefit to their members. The fact that they are countenanced, and even encouraged, by the Governments of the respective countries in which organized, notably in the case of Germany, implies that they have also been of benefit to the communities in which located, and have earned the sanction of public approval. It is to be hoped that the investigations of the Commission will bring to light such reliable and complete evidence as will enable Congress to see clearly what legislation may be expedient and proper to enable American manufacturers and merchants by similar means, to compete successfully in foreign markets with those of the other great nations, and thus to promote the development and prosperity of American industry and commerce.

2. EXPORT COMMISSION HOUSES:

These are mercantile houses, usually located in one of the principal export cities, having arrangements with numerous domestic manufacturers whom they represent in foreign markets, and having more or less numerous connections in such markets whereby they effect the distribution of the lines of goods which they undertake to represent. Many of these houses have been long established, have large capital and are very successful. Probably the small manufacturer can avail of no better channel through which to develop an export business in his products.

3. DIRECT REPRESENTATION:

A limited number of very large manufacturers in the United States, whose export business is of sufficient volume to justify the expense involved, maintain selling organizations of their own in various foreign countries, through which, by means of

their own salesmen, they solicit and conduct business in substantially the same manner as in the domestic market, except as modified to conform to local conditions. Undoubtedly this method is better than any other in cases where the volume and character of the business warrants the expensive organization which it implies.

4. GOVERNMENTAL AID:

The assistance given heretofore by the Federal Government to citizens engaged in export trade has consisted chiefly in the information gathered through two channels, as follows, viz.:

(*a*) *Consular Reports.* Some of these are helpful, but many of them are more academic than practical, consisting largely of information of a general character but of small commercial value. If this work could be done under the guidance of well prepared instructions, compiled here by technical experts, it is believed that it could be much improved and made of substantial value.

(*b*) *Commercial Attachés.* A number of these are now employed under the jurisdiction of the Department of Commerce, and it is believed that their work, if properly developed, can be made effective and useful as supplementary to that of the consular officers. For this purpose it is highly desirable that the persons selected should have technical knowledge and experience in at least some of the lines of commerce which they are to investigate. Their investigations should cover methods of production and distribution which have contributed to the success of manufacturers in other countries, in securing trade in the neutral markets of the world. They should be instructed and authorized to collect samples, catalogues, price-lists and statistics relating to products which are active in for-

eign trade, especially those in which this country is seeking to increase its activities. The material thus gathered, when received here, should be made accessible at convenient points throughout the United States to those who are interested and who may profit by the information it affords. Heretofore the American manufacturer, in seeking foreign trade, has sought chiefly to sell the goods which he already makes, instead of seeking also to ascertain the goods which the foreign market calls for, in order then to consider whether or not he can organize to furnish them. The work of the Commercial Attachés should be helpful in the latter direction.

5. EXPORT ASSOCIATIONS:

A number of these have been organized for the purpose of promoting the interests of their members in developing business in foreign markets. Among these, in this vicinity, are the following:

National Association of Manufacturers, New York,
American Manufacturers' Export Association, New York,
The Philadelphia Commercial Museum, Philadelphia, Pa.

Investigation will doubtless disclose other organizations of similar character elsewhere. All of these associations have accumulated much information concerning foreign markets, and will doubtless be disposed to place this at the service of the Federal Trade Commission, and to confer with the latter concerning the development of its work in the export field.

6. BANKING CONNECTIONS:

Banking connections between an exporting country and the countries to which it exports, bear an imporant relation to its export business, and in this respect this country has hereto-

fore been at a great disadvantage with its chief competitors, especially with Great Britain and Germany.

The Federal Reserve Act by making provision for the establishment, by national banks, of branches in foreign countries, has opened the door for progress in this important matter, and the National City Bank of New York, has taken the initiative, and has set a most excellent example by opening branches in Buenos Aires and Rio de Janeiro. It is also doing valuable work by issuing a monthly bulletin, giving information of great practical value concerning market conditions in South America, which is of direct use to American exporters. It is to be hoped that the example thus set will increasingly be followed, so that in time the facilities of American manufacturers and merchants for the conduct of financial transactions in South America will equal those of their European competitors.

7. MAIL SERVICE:

A lower rate of postage to foreign countries, especially to those of South America, would be helpful to our export business. We now have a two-cent rate to Egland for mail carried on English ships, and, prior to the war, had a similar rate for mail to Germany when carried on German ships. It is suggested that the Commission should give consideration to the question of extending the two-cent rate to other countries, especially to those with which we hope to do a considerable export business.

In like manner the extension of the parcels-post service will be of great benefit to our export trade by facilitating the transmission of samples, and the delivery of articles of light weight. The recommendations of the Commission in this respect will doubtless carry much weight with Congress.

8. MERCHANT MARINE:

Complete unanimity of opinion prevails as to the handicap to our export trade which will exist so long as it is carried wholly or chiefly in foreign bottoms, and as to the great desirability of reestablishing our merchant marine. Unfortunately, however, thus far there has developed no unanimity of opinion as to how this most desirable end can best be accomplished. Until we have direct and adequate mail and freight service between this country and its export markets, American exporters will continue to be at a disadvantage as compared with their foreign competitors. It is greatly to be hoped that the investigations of the Commission may throw light on this problem and assist in crystallizing public opinion concerning it.

9. UNITED STATES NAVY:

Public sentiment is now united in favor of the maintenance by this country of an adequate navy, opinions differing only as to what this may properly imply. The relationship of the navy to our export trade is direct and important. We need the navy to protect our merchant marine in case of war, to lend support and dignity to any demand we may justly have to make in the future on any other country, and to make the American flag known and respected in all important ports of the world. American exporters, therefore, are justified, both by national and personal interests, in supporting all reasonable plans for maintaining the efficiency of the navy on a basis adequate to our national needs.

10. TREATY WITH RUSSIA:

The treaty between between the United States and Russia, which had been in effect for many years, was abrogated a few

years ago. Russia already constitutes a very important market for American manufacturers, and the future possibilities of this market are vast and of great importance. In view of the friendly relations now existing between the two countries, it would seem that it should not be difficult to renew the former treaty, or to formulate and agree upon a better one. It is to be hoped that the Commission may see fit to bring this important subject to the attention of Congress in such manner as to induce action upon it at an early date.

11. CONCLUSIONS:

As indicated by the foregoing outline, the subject of our export trade is one of vast and growing importance. It is hoped and believed that the investigation of it, undertaken by the Federal Trade Commission, may yield results which will tend in many ways to aid, develop and extend the exports of American products of every kind and to all the markets of the world. The record shows that the efforts heretofore made by American manufacturers to promote the development of their export business by co-operative arrangements, have consisted chiefly, if not wholly, of associations of non-competitive manufacturers. It is believed that investigation by the Commission will show that, if such associations have been few in number and of slight value in results, the chief cause lies in the fact that the parties and products so brought together were *non-competitive* and therefore without any effective basis of common interest.

An individual who represents five lines of product, say boots and shoes, canned foods, machine tools, clocks and drugs, no matter how intelligent or how expert in possibly one of

these lines, cannot have such complete technical knowledge and experience concerning *all* of them as to qualify him to present them effectively and to discuss them with expert customers. The non-competitive character of the lines is an unnatural bond of union which, if it does not imply ultimate failure, offers little hope of successful results. An individual who, on the contrary, represents a series of *competitive* lines, say for example, the product of five different plants making lines of machine tools, if at all qualified for his work, is qualified to represent all five of his clients, effectively and equally. But such an arrangement among competitors implies agreements among them not only for the apportionment of expenses, but also for the apportionment of some or all of the resulting business, and further agreements for the equalization of their prices for similar articles. Arrangements of this kind, at present forbidden by our laws, are sanctioned and encouraged by the laws of other countries, and are believed to have been a large factor in the building up of their export trade. Section 6 of the Federal Trade Commission Act, which is quoted above, authorizes the Commission to investigate these practices in foreign countries "and to report to Congress thereon, with such recommendations as it deems advisable." It is believed that no other subject is of greater importance in connection with the study of plans for the promotion of our export trade, and it is to be hoped that the information on this subject which will be gathered by the Commission, when laid before Congress, will enable the latter to perceive how our present laws may be so amended as to place our manufacturers and merchants on a basis of full equality with their competitors in the neutral markets of the world, by means of co-operative methods, which, while thus benefiting those engaged in the export of American products, both employer and employe,

will in no way work to the detriment of the still larger number of those engaged in purely domestic industry and commerce.

Respecfully submitted,

HENRY R. TOWNE,
Chairman.

WALDO H. MARSHALL
GILBERT H. MONTAGUE
WILLIAM HAMLIN CHILDS
W. M. GLADDING
Committee on Federal Trade Commission

The Committee on Foreign Trade concur in the foregoing report.

PAUL FULLER, JR.,
Chairman.

WM. H. DOUGLAS,
LUCIUS R. EASTMAN,
E. A. DE LIMA,
C. F. GREGORY,
FRANKLIN JOHNSTON,
PHILIP B. KENNEDY,
J A. TERRY,
GUSTAV VINTSCHGER,
SILAS D. WEBB.

At a meeting of the Board of Directors of the Merchants' Association of New York, held May 20, 1915, the foregoing report was unanimously approved.

S. C. MEAD,
Secretary.

A Fundamental Defect in the Act to Regulate Commerce

a PAPER read by

CHARLES A. PROUTY
~~of Newport, Vermont~~

at the

Thirtieth Annual Meeting

of

The American Bar Association

held at

Portland, Maine
August 26, 27, 28, 1907.

[*Reprinted from the Transactions of the Association*]

Interstate Commerce Commission

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1914
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A FUNDAMENTAL DEFECT IN THE ACT TO REGULATE COMMERCE.

BY

CHARLES A. PROUTY,

OF NEWPORT, VERMONT.

The most important social question before this country today is the regulation of its railways. For the last two years this has been the foremost political issue, and it will probably occupy that place until settled.

This arises from the nature of the matters involved. Three hundred years ago Lord Bacon pointed out that a prime essential to national growth was facility to communication. So true is this that in all ages the ways over which this communication must be conducted have been, as a rule, provided by the sovereign. The highway has been the King's and so public.

When the Stourbridge Lion, the first locomotive ever operated in the United States, was brought over from England, and set upon the rails prepared for it by the Delaware & Hudson Canal Company, the significance of the railroad was little comprehended. It has come to be the principal means of physical communication. Whoever to-day possesses these avenues of transportation with the right to impose whatever tolls he may elect, holds the commercial dominion of this land; for he can determine where business shall be done, by whom it shall be done, and he can appropriate to himself an undue share of the profits. The railway is now our main highway. Since it must be used by all, and since preference in its use gives to the favored one an advantage over his competitor, even to the point of final extinction, it follows that this highway must be public, otherwise we have in process of time a nation of commercial masters and slaves.

As soon as experience began to make this obvious attempts to

secure to the public its rights in these highways also began. The first serious effort towards railway regulation in this country originated in the so-called Granger movement in the 70's. The method adopted was usually the establishment of a commission with authority to fix the rate, either absolute or maximum, which the railway might charge, and the constitutionality of this method as applied to state business, was sustained by the Supreme Court of the United States in a long line of decisions.

The same court held that with respect to interstate traffic the state could exercise no control even over that part of the haul entirely within the state, since this authority had been reserved by the commerce clause of the federal constitution to Congress. That body acting upon this intimation of the court, in 1887 enacted, for the regulation of interstate railway operations, the Act to Regulate Commerce, which has been much altered and strengthened by the amendments of June, 1906.

The commission plan of regulation has been generally adhered to by the states, and the same plan was selected by Congress. It has worked fairly well in the states, and the commission idea must probably be applied to the regulation of rates by the national government; but it often happens that what gives satisfaction in a small way proves unsuitable when applied to larger operations. I have felt that the present plan of the Act to Regulate Commerce should be substantially modified, and desire to call your attention to what seems to me a fundamental defect in that Act.

Every discussion of this subject should begin with a clear apprehension of the problem. The railway has come to take the place of a public highway, and some method must be found to make it such. This means that the government must see to it that our railways are open to all members of the public alike, and that the charges made for their use are reasonable. We must, I think, go still further, and see that the facilities provided are adequate.

But these highways, while public in their use, are private in

ownership, and the capital invested has been put there upon the representation that it shall be allowed to earn a return. While, therefore, the government must protect the citizen in the use of these avenues of transportation, it must also protect the individual in the enjoyment of his property.

An examination of the present Act to Regulate Commerce shows that the authors of this statute had in mind both these ideas. The affirmative provisions of that Act are, that charges for services rendered shall be reasonable, and that no undue discrimination shall be made between different persons. Otherwise stated, these highways shall be open to the whole public alike, and upon fair terms. To secure these benefits there are certain requirements with respect to the publication and observance of tariffs, the keeping of accounts, etc., and severe penalties are provided for infractions of the statute. A Commission is created and that Commission is required by the terms of the Act to enforce its provisions.

Here then is a clear recognition of the first idea. It is the affirmative duty of the Interstate Commerce Commission to see that railways do not impose upon the public unreasonable or discriminative charges.

A further examination of the statute shows that the second idea is also present. This Commission is not merely charged with the duty of enforcing the Act, but is also constituted a quasi-judicial tribunal with authority to sit as arbitrator between the railroad and the people. The Act provides that any party may complain to the Commission that a railway subject to its jurisdiction is in violation of the terms of the statute, and that the Commission, upon receiving such complaint, shall proceed to investigate and determine the matter. The proceedings under this provision assume much the nature of a trial in court. The complaint is served upon the railway, which is required to answer. After issue is joined evidence is taken, arguments heard, and the case decided. The amended Act expressly provides that no order shall be made until after a full hearing upon complaint.

The manifest intent of all this is to provide an impartial body which may hear and determine charges against railways. Their rates are not to be reduced, nor their practices condemned, until after a full opportunity to be heard.

Let it be further observed that both these ideas must find expression in whatever system adequately and justly regulates our railways. A lawyer may be inclined to say that when the government has provided a tribunal before which a complaint can be heard, and by which a remedy can be given, its full part has been done. The aggrieved person must then make and prosecute his complaint.

But this entirely overlooks the fact that it is the duty of the government to make this highway public, not merely to provide a means by which a citizen may secure these benefits himself; certainly not when those means are in the very nature of things unavailable to the masses.

Take a practical illustration. The domestic fuel of New England is anthracite coal. We will assume for the moment, without suggesting, that the freight rate upon which this commodity is carried from the mine to the consumer, is 25 cents per ton too high. The total consumption of New England is perhaps 10,000,000 tons annually, so that the excessive freight rate takes from the people of this section $2,500,000 each year. Since the cost of operation is the same whatever the rate, this is an addition of $2,500,000 to the net revenues of the railways carrying this traffic, which, if permanently maintained, adds, upon a five per cent basis, $50,000,000 to the market value of their property, a sum considerably in excess of the cost of reproducing all the railroads in my native state of Vermont.

Now if the tribunal is provided, who will prosecute the complaint, or the numerous complaints, which may be necessary to correct this most important violation of law? Will the coal dealer, who pays the freight? Certainly not. He adds the freight to the price of the coal, and charges it to his customer. Will you, who are a consumer of twenty tons perhaps, and have therefore a stake in this matter of $5.00 annually, expend the

thousands of dollars necessary to test this question? Again, certainly not; unless perchance you are a candidate for office, and therefore a friend of the people.

The railway is a public highway absolutely essential to the commercial and industrial life of this nation. If a railway imposes upon you in common with others an unjust rate, that is not a private but a public wrong, which should be corrected by public authority, and which you as an individual cannot be expected to redress for the benefit of your fellows. Any scheme of regulation which does not embrace this feature will end in failure.

Equally important is it that the private capital invested in these public enterprizes should receive fair consideration. This is demanded at once by the dictates of justice, and of self-interest. This capital has been invested upon the understanding that it should be allowed a return. It would be the grossest of bad faith, were it possible, to deprive that property of the right to a fair return.

This is obvious to all. What is not always so clearly apprehended is the danger of deterring capital from seeking this form of investment in the future. If the demands upon our railways are to be met enormous sums must be expended in extensions and improvements. These expenditures cannot be made out of earnings, they must come largely from new money drawn from the investing public. The ability to obtain this now and hereafter will depend upon the confidence which men have in the security of their investment. It is not enough that earnings are ample today, if they are likely to be unduly reduced tomorrow. Every system of regulation should therefore assure capital of just treatment.

I have said that the Act to Regulate Commerce at once instructs the Commission to enforce its provisions, and constitutes that body a tribunal to pass upon complaints brought against railways. It has been in the past one of the most serious reproaches against that Act that the Commission was made by its terms at once a prosecuting officer and judge. Strictly

speaking it is neither a prosecutor nor a judge, but an administrative body bidden to do justice between the railways and the people. Its findings have been in the past merely *prima facie* and its orders could only be enforced in court where the railway might obtain a judicial trial *de novo*. It must be admitted, however, that the objection to combining in the same person the duties of a prosecutor and a trier is a wise one, which should seldom be contravened. While the orders of the Commission were unimportant, and subject to review in the courts, the union of these two functions may have been well enough. Plainly a different question would be presented were the jurisdiction of the Commission extensive and its decision final. That practical situation has now arisen. The jurisdiction of the Commission has been enormously increased, and its decision with respect to most of the matters which it hears is, in my opinion, practically final. I feel, therefore, that the time has come when the duties of this body should be separated. If it is to continue to hear and determine cases, it should be relieved of its other work. Whether this is so must depend upon the character of the questions upon which that body passes, and the extent to which its conclusions can be reviewed.

Let us consider what the jurisdiction of the Commission covers. The Commission is not a judicial body, and cannot therefore render judgments which are enforced by its own process, but it is empowered to make orders which carriers are required to obey under heavy penalty, and which are therefore equivalent to judgments.

First: It may put upon railways subject to the Act, by the issuance of orders, certain requirements as to the filing of tariffs, and the keeping of accounts. These refer strictly to the administrative work of the Commission, and need not be considered here.

Second: It may award damages for violations of the Act. The nature and effect of these orders will be referred to later in connection with a recent decision of the United States Supreme Court, and these orders may be passed by for the present.

Third: The important jurisdiction of the Commission is found in its authority to prescribe a rate, regulation, or practice for the future. This power is conferred by section 15 of the amended Act, which provides that it shall be the duty of the Commission whenever, after full hearing upon complaint, "it shall be of the opinion" that any rate is unjust or unreasonable, "to determine and prescribe what will be a just and reasonable rate or rates, charge or charges, to be thereafter observed in such case as the maximum to be charged."

The mere awarding of damages for the imposition of an unlawful rate clearly affords the public no adequate remedy. Consider the instance to which I referred a moment ago, of a possible exorbitant charge for the transportation of anthracite coal. The right upon the part of each consumer to sue and recover the amount by which he has been individually damaged would avail nothing. The only means by which the public can be effectively protected is by compelling the railway to charge a just rate in the first instance; and what is true of this case is true of the majority of all cases. It was this authority of the Commission to fix the rate for the future for which President Roosevelt so earnestly contended, and to which the railways were so bitterly opposed; and while the recent amendments to the Act to Regulate Commerce embrace many other salutary provisions, this is the vital thing. It is the exercise of this power which will benefit the public and which, if improperly exercised, will correspondingly injure the railway. It is against the abuse of this authority that the railway needs protection. It is therefore a most important inquiry how far the order of the Commission is final, or to what extent it will be reviewed by the courts. Let us examine this for a moment as a matter of principle.

The making of a railway rate for the future is from the very nature of the thing legislative rather than judicial, as appears from a consideration of the difference between the functions of the judge and those of the legislator.

The judge declares what the law is. For this purpose he

consults former decisions, and looks into the enactments of legislatures. As he finds the law in precedent, or in statute, so is he bound to declare it even though in his own opinion it ought to be otherwise. If he has occasion to find a fact he must do this from evidence the nature of which is defined by elaborate legal rules.

The legislator upon the other hand determines not what the law is, but what it should be. To discharge this duty properly he requires the most extensive information, but in obtaining this he is bound by no rule of evidence. Finally it is a question of good judgment with him what ought to be done.

The naming of a railway rate partakes of the legislative rather than the judicial. It is fixed by no statute, it is controlled by no precedent, it is established in accordance with no fixed rule. It cannot be determined by the cost of the service, nor by comparison with other rates. Neither the financial condition of the railway, nor the necessities of the shipper, are controlling. All these elements and many others, particularly competitive and commercial conditions, must be taken into account, but when everything is known it is still a question of judgment what the rate shall be. This discretion must be exercised in the first instance by the traffic official who makes the rate, and in the second instance by the commission which revises that rate.

The federal constitution divides the functions of government into judicial, legislative, and executive, and provides that the duties of one department shall not be discharged by any other. The courts cannot be invested with legislative or executive duties, and since the naming of a rate for the future is not a judicial function, it cannot be exercised by the courts. This principle as applied to the federal judiciary seems to be clearly established. It would seem equally clear that courts cannot exercise upon appeal an authority with which they cannot be invested *de novo,* and hence it must follow that the federal courts do not have and cannot be given jurisdiction to review, *as such,* the action of the Commission, in naming a rate to be

observed in the future. Have, then, the courts of the United States no authority over railway rates established either by state or federal authority? Most assuredly they have a most important and extensive jurisdiction, but that jurisdiction is not to revise, as such, the judgment of legislature or Commission. It is original, not appellate. It inquires whether the statute or the Commission's order is a violation of the constitution of the United States, and if so restrains its operation.

The railway is a public necessity. For this reason in its construction private property may be taken against the will of the owner. In exactly the same way when that highway has been constructed the public may, in its own interest, or as a measure of self-protection, direct as to its operation. It may say what trains shall be run, what rates shall be charged. But just as the railway company could not, in the construction of its railway, appropriate private property without just compensation, so the public cannot, after that railway is constructed, appropriate the private property which has entered into it, to the public use without just compensation. In other words it cannot compel the railway to render its service to the public upon such terms as will not yield to its owners a fair return upon the value of property which is devoted to the public use. To do this would be to deprive the railway company of its property without due process of law, in violation of the fourteenth amendment. It would be a taking of private property without just compensation, and in violation of the fifth amendment, if the rate is established by federal authority. This is the ground upon which the federal court interferes.

The Act to Regulate Commerce provides for a proceeding upon the part of the railway to restrain the operation of an order of the Commission, but no provision is made for an appeal by a complainant from a decision adverse to him. This is for the reason that if the appeal were sustained, the court could make no order in his behalf. In this respect the complainant and the railway stand exactly alike. As against both, the judgment of the Commission as such is final, but the railway may invoke

the aid of the court to protect it from an unconstitutional exercise of regulating authority.

It seems to me clear, upon principle, that the federal courts can only interfere with the orders of the Interstate Commerce Commission fixing a rate for the future upon this ground. The extent to which that interference may go is another question which never can be answered definitely.

Many state commissions establish entire schedules of rates. In these states no charge can be made except in accordance with these schedules, which therefore absolutely limit the earning capacity of the railroad. In such cases the question of adequate earnings becomes, not a simple, but a possible one.

The Interstate Commerce Commission does not deal with schedules of rates. It establishes no single rate in the first instance. Railways initiate their own rates; the Commission only prescribes the rates in particular instances. To what extent can the court inquire whether an order of the Commission dealing with a single rate deprives the carrier of its property without just compensation, or without due process of law?

A railway is constructed and operated for the purpose of charging tolls for its services. The amount earned, and therefore the value of the property, depends upon the amount which can be charged. If the rate is reduced the property of the railway company is taken. In this sense whenever a railway is required by public authority to observe an unreasonable rate its property is unjustly taken, and hence the court may inquire with respect to each rate, whether it is reasonable.

But the trouble here is that no standard exists by which the reasonableness of a rate can be measured. In a way it is the opinion of the legislature or the Commission which determines its reasonableness. While the constitution of the United States commands Congress to allow railways a reasonable return there is no constitutional provision which declares the source from which this return shall be derived. How much of it shall come from passenger, how much from freight, what from coal, what from lumber, what from merchandise? A rate is in a sense polit-

ical. In Belgium today you will find that the rate on plate-glass from the interior producing point to the seaport is one-half, in case the commodity is exported to a foreign country, what it is if consumed at home. This is to assist the home manufacturer against his foreign competitor. The government may undoubtedly require a railway, in the public interest, to perform a particular service for less than actual cost. It is therefore extremely difficult to hold of an individual rate established by public authority, that it is unconstitutional, provided the authority is fairly exercised.

The courts have said that the government may regulate our railways, but they have further said that the power to regulate is not the power to destroy. When the action of legislature or Commission ceases to be fair regulation, and becomes wanton or destructive, the court will interfere to prevent this, as it interferes to prevent other abuses of legislative power.

To state this another way: A railroad rate may be fixed by statute, or it may be established by a commission under statutory authority, and in either case it is to every intent the law of the land. If the established rates do not yield to the carrier a fair return, or are not just and reasonable measures of regulation, the law which establishes them is unconstitutional. I apprehend that courts in declaring rates fixed by public authority illegal, will be guided by much the same considerations as in passing upon the constitutionality of laws. Every presumption is indulged in favor of the constitutionality; but if it clearly appears that the law is unconstitutional it is set aside. The presumption will be that the rate established by legislature or commission is lawful, but the railway may always show that in fact it is unlawful. This may be frequently done with respect to an entire schedule; in case of a single rate it will seldom be done where the regulating body has acted within its authority, honestly, and with a decent show of reason.

It seems to me that this will be the rule of the federal courts in examining rates fixed by both state and federal commissions; and I say this, notwithstanding that a different rule prevails in

nearly every state having a commission, and prevails in consequence of a decision of the Supreme Court of the United States.

What is known as the Minnesota Milk Case, Chicago, Milwaukee & St. Paul Railway Company *v.* Minnesota, 134 U. S. 418, was decided in 1889. The Minnesota commission had established certain rates for the transportation of milk over the railway of defendant, which that company declined to observe. Thereupon the commission made application to the state court for a writ of mandamus to compel an observance. Upon the return of this writ the railway offered to show that the rate prescribed by the commission was unreasonable, and did not yield a fair return.

The court held that no evidence whatever was admissible, that the action of the commission in fixing the rate was conclusive, and that the only duty of the court in the premises was to issue its mandatory process to compel an observance of that rate. From this decision the railway company appealed to the Supreme Court of the United States, claiming that by the establishment of this rate without opportunity to question its reasonableness in judicial proceedings, it was deprived of its property without due process of law. The court so held, thus in effect declaring the rate of the Minnesota commission unlawful.

Mr. Justice Blatchford delivered the opinion of the court, in which five judges concurred. This opinion undoubtedly lays down the rule that reasonableness of rate or schedule of rates established by a commission is a judicial question, and it was clearly in the mind of the majority that the court might consider the question from the same standpoint as the commission. The exact point decided was that a railway rate established by a commission was in violation of the federal constitution, unless opportunity was afforded the railway for testing in court at some point, the lawfulness of that rate.

In consequence of this decision the State of Minnesota amended its Act so as to permit an appeal from the determination of the commission to the courts. Other states followed suit, and all acts passed since then have provided in some form

or other for a judicial examination of the rates established by the commission.

The powers exercised by the courts under these provisions in different states vary greatly. Sometimes the trial is by court, sometimes by jury. Sometimes the court is authorized to make such order as the commission should have made, and sometimes simply to set aside in whole or in part the order of the commission. The understanding certainly seems to have been general that this decision authorizes and requires an appeal from the action of the commission, and that the courts upon such appeal may pass upon the same question decided by the commission.

While the decision of the Supreme Court of the United States in this case was undoubtedly correct, while that court has since held that the railway has and must have the right to question in a judicial proceeding the lawfulness of the rate imposed, just as it must have the right to object to the constitutionality of any law which is sought to be enforced against it, I do not think that this court would today hold that what is a reasonable rate for the future is a judicial question, except in the sense that I have stated. That court has several times said that the naming of such a rate is a legislative, and not a judicial, duty and that the court, while it may enjoin a rate established by legislature or commission, cannot itself establish such rate. Regan *v.* Farmers Loan & Trust Company, 154 U. S. 362; Interstate Commerce Commission *v.* Cincinnati N. O. & T. P. Railway Company, 167 U. S. 479. My impression is confirmed by two very recent decisions of the Supreme Court, to which I call special attention.

The first in order of time is Texas & Pacific Railway Company *v.* The Abilene Cotton Oil Company, decided February 25 of the present year. The Oil Company had brought suit in the proper court of the State of Texas for the recovery of an alleged excessive charge exacted against the protest of the Oil Company by the defendant railway company, for the transportation of cotton seed from certain points in Louisiana to Abilene, Texas.

Its claim was that the common law liability upon a carrier to accord to shippers reasonable rates had not been affected by the Act to Regulate Commerce. The Texas court found the rate excessive, and gave judgment for the plaintiff.

The transportation was interstate, and the rate charged was the regular published interstate tariff of the railway company. That company insisted that under the Act to Regulate Commerce this rate was presumptively legal, and certainly could not be attacked in the state court.

The Supreme Court of the United States, in sustaining the contention of the railway, went further than was required for the decision of that particular case. The 9th section of the Act to Regulate Commerce provides that any party damaged by a violation of any of the provisions of that Act, may either present his claim to the Commission or bring suit in the proper circuit court of the United States. The charging of an unreasonable rate is a violation of the Act, and it had been generally understood that the party paying an excessive rate might recover damages on that account, either by suit in the circuit court or by proceeding before the Commission. The Supreme Court held that the proceeding before the Commission was exclusive, and that no suit could be begun in the first instance either in state or federal court.

The decision in this case referred only to the excessive charge, but the same reasoning would apply with equal force to the unduly discriminating charge. The case manifestly holds that in every instance where the Commission may, under the 15th section, substitute in its judgment a rate, regulation or practice for that in force, proceedings must be begun originally before the Commission.

If the Oil Company had begun its suit before the Commission as it should, and that body had found, as did the court, that the rate was excessive, it would have made two independent orders, one prescribing the rate which the railway company should charge for the future, and another awarding to the Oil Company damages for the past. These damages would ordina-

rily be determined by taking the difference between the rate actually paid, and that found to be reasonable. The first of these orders is self-enforcing, the second can only be enforced by suit in court. The federal constitution provides for a trial by jury in all cases where the amount involved exceeds $20, and it has been thought that the awarding of damages by the Commission is equivalent to a suit. Practically, however, this new trial is of little consequence to either party, if the judgment of the Commission in establishing the rate is sustained. It has been already decided that the court cannot give damages exceeding the amount awarded by the Commission. It is hardly conceivable that either court or jury would award damages less than those named by the Commission, even if that might legally be done, provided that the order of the Commission fixing the rate for the future is lawful.

The second case to which I especially direct your attention arose upon an order of the railway commission of North Carolina, and is entitled Atlantic Coast Line Railroad Company *v.* North Carolina Corporation Commission, having been decided April 29 of the present year. The case was this. For many years there had been a running connection at Selma, in the State of North Carolina, between a certain train upon the Southern Railway and a certain other train upon the Atlantic Coast Line Railway. The Southern had found it necessary to advance the time of its train, and had thereby broken this connection. The North Carolina commission required the Atlantic Coast Line to advance its time correspondingly for the purpose of restoring the connection. Finally, upon further consideration, it appearing that possibly the Atlantic Coast Line could not fairly be required to shorten its present time, that company was given the alternative of putting on a local train from Rocky Mount, in North Carolina, to Selma. From this order of the commission the railway appealed, and its appeal was tried by court and jury. The jury found that the Atlantic Coast Line could not increase the speed of its present train, that the public interest did require the putting on of an additional train, that

the cost of operating this train would be $40 per day, and the probable receipts would not exceed $25 per day. The railroad company insisted that the order of the commission was void, in that it required that company to perform a service for less than the actual cost.

The North Carolina commission had found that although the operation of this particular train would be at a loss, the entire business of the Atlantic Coast Line Railroad in the State of North Carolina was conducted at a profit. The Supreme Court referred to this finding of the commission, but did not place its decision upon that ground. The broad holding of the court was that the State of North Carolina might regulate its railways either by direct legislative enactment, or through the medium of an administrative body, and that the regulating requirement, whether statute or commission order, would be obligatory upon the railway unless so far arbitrary and unreasonable as to exceed the limits of just regulation. In substance the court said that if an entire schedule of rates did not yield to a carrier an adequate return upon the property invested, that might amount to conclusive evidence that these rates were in violation of the fourteenth amendment, but that where the question arose upon a single rate or a single practice, it could not be conclusively inferred from the mere fact that the cost of the service was more than the amount allowed or received, that the order requiring the rate or practice was void under the due process or equal protection clauses of the constitution. In such case it must appear that the order was so unreasonable and arbitrary as not to be an act of fair regulation.

What I have said as to the practical finality of the decisions of the Commission in those cases where that decision represents the exercise of its judgment would result also from the nature of the matters involved. These questions are not law questions. They cannot be readily understood without a certain amount of antecedent knowledge of the subjects embraced. The records in important cases are long and involved, and well-nigh meaningless to a judge. Courts would almost of necessity accept the

findings of the Commission upon questions of fact, unless they were clearly and unmistakably wrong. It is worthy of note that under the old law, where the entire matter was reviewable, the Supreme Court never reversed the finding of the Commission upon a question of fact, and always insisted that the courts should have the benefit of the opinion of this expert tribunal in the first instance.

In the recent argument of a very important case, the attorney for the railways, a gentleman who has been identified with this subject of federal regulation from its inception, and who has probably given the matter more attention than any other man, said in substance at the close of his argument:

"I desire to direct the attention of the Commission to the changed situation. In the past I have been able to ask the courts to review the findings of this body. In the future, as a practical matter, I can no longer do so. Your decision upon questions involving the reasonableness of a rate is practically final."

I think he was right. In the case in which he was speaking, within a range of many hundreds of thousands of dollars, the finding of the Commission is undoubtedly conclusive.

It appears from the above cases that no claim looking either to the future, or to the past, with respect to the reasonableness or justice of an interstate railway rate, can be originally made in any tribunal except the Interstate Commerce Commission. That this jurisdiction must be extensive follows from the amount and nature of the interstate railway transportation of this country. Just what it may mean cannot be stated with certainty yet. There have been filed with the Commission in the first eleven months since the amended law took effect, August 28, 1906, 316 formal complaints, and 220 petitions for reparation damages. The reparation cases really depend upon the decision in other cases, and therefore their disposition is largely clerical when the principal case has been decided. The formal complaints vary in importance. Very few of them are insignificant, for it is the characteristic of these cases that while the amount involved in a particular complaint may be apparently small the principle is

far-reaching. It can never be known with certainty where the change of a particular rate will stop.

We have before us at the present time, for example, a complaint by the city of Spokane. Spokane lies four hundred miles nearer the Missouri River than Seattle or Tacoma, but the rates to that city from eastern destinations are higher than to the coast towns.

The amount involved to the city of Spokane alone would be large each year, but this is not the serious thing. Whatever treatment is accorded Spokane must be extended to other intermediate localities. The Union Pacific system has filed a statement showing that to have applied the rates which it must apply if the contention of Spokane is upheld, would have cost that system upon the business actually handled during the last year, $8,000,000. To sustain the prayer of Spokane would reduce the net revenues of that system $8,000,000 annually, which upon a basis of four per cent amounts to $200,000,000 in the market value of these properties. And the Union Pacific system is but one of the trans-continental systems which would be affected by this reduction.

We have before us now a case brought by the Cattle Raisers' Association of Texas, putting in issue certain advances in rates upon live stock. The only question involved is the reasonableness of these rates. While we have no exact information, it is probable that the amount of these advances is from two to three millions of dollars annually.

And these decisions not only involve enormous sums of money, but often determine whether a locality shall do business, or an industry exist. I say to you with confidence that save only the federal court of last resort, no court in this land entertains questions of greater importance than those which will be passed upon by this Commission.

The conclusion of the whole matter is this. If the Interstate Commerce Commission is vested with a jurisdiction so tremendous in extent, and of such finality every effort should be made to provide a body adequate to the trust. That Commission under the present law is charged with two sets of duties requiring

diverse qualifications for their discharge. It stands, first, as representative of the government to see that these highways are in fact public. It is commanded to enforce the provisions of the Act to Regulate Commerce. It must see that rates are reasonable and just; that the practices and regulations of railways are not oppressive; that the penalties provided by the Act are enforced. In the near future its powers must be extended to the operation of the railway as well. These duties are largely executive. They can best be discharged by a single head, responsible to the executive, and answerable to the spur of popular criticism.

Second, this Commission is in essence a judicial tribunal which hears and decides complaints. The qualifications of such a body are the exact opposite of the other. Its membership should be numerous so that its decisions may be the resultant of independent minds. It should be entirely withdrawn from all political and personal influences, and it should have time for the deliberate consideration of the matters coming before it.

I very much doubt whether the same body can properly discharge both these functions. In the end it will either become remiss in its executive duties or will, in the zeal of those, become unfit for the dispassionate performance of its judicial functions. Whatever may have been true in the past the time has come when the Commission should be relieved of all its duties except the hearing and deciding of complaints.

There are several ways in which this might be accomplished. The Commission itself might perhaps be reorganized, and its duties divided. Its executive functions could be transferred to a bureau in some department. I have myself thought that a new department should be created. Such a department would from the first have occupation in plenty. No department would be oftener applied to by all classes, nor would any be of more service to the whole public, railways and patrons alike. In beginning this paper I had intended to refer more in detail to this matter, but my limit has been reached before my subject, and I can only urge the desirability of accomplishing the thing in some manner.

THE OUTLOOK

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An Address
by
H. U. MUDGE
President, Rock Island Lines

Delivered at the Nineteenth Annual Dinner of the Commercial Club of Kansas City in Commemoration of the John Jay Treaty Kansas City, Missouri

November 19, 1913

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Bureau of Railway Economics,
Washington

The Outlook

By H. U. MUDGE

The subject assigned me offers a wide range of possibilities. The "Outlook" depends so much upon the viewpoint.

In view of the many changes that are coming about in the regulation of our industrial and commercial life, he who would treat the subject at short range and would define the present outlook with any degree of certainty would be, indeed, a prophet, and, as we are told that "a prophet is not without honor except in his own country," I prefer to treat the subject at longer range, and I will ask your indulgence while I diverge slightly from the direct subject, and discuss briefly what appears to me to be the three essentials for the ultimate prosperity of this country.

There is a saying of Lord Bacon's that has been quoted many times, but it so aptly and tersely states the conditions I have in mind, that I cannot refrain from repeating it. He said, in the quaint language of his time:

> "There be but three things which one nation selleth to another: The commodity as nature yieldeth it; the manufacture, and the vecture, or carriage. When these three wheels go, wealth will flow as in a springtide."

Nations were smaller in Lord Bacon's day than they are now, but what was then true of nations is now true of communities.

You men of Kansas City, and particularly you men of the Kansas City Commercial Club, are engaged in a great work; you are building up commercial institutions, factories and various industries giving employment to a large number of people; you are also beautifying the city and making it a comfortable and pleasant place in which to live. It is your business to make the business and social conditions of the city attractive, in order that people from other cities and people from the country will be induced to locate within the city.

Hundreds of other commercial organizations are engaged in the same work and you are all doing a good job, with the result that the population of the country is being rapidly concentrated in the cities. It would seem, therefore, that the second of the three items is being well taken care of, if not overworked, by the commercial organizations.

We come now to the first item, i. e., "the commodity as nature yieldeth it." What are we doing to increase the things that nature produces?

In these days when civilization and business are so complex, it is well for us to remember that Mother Earth is the source of all material wealth, and from her must be drawn the necessities and luxuries that meet our physical needs. These come from the mine, the forest and the soil.

When a mine is exhausted, there is nothing left but a hole in the ground; when a forest is cut over, it takes at least two generations to raise a new crop, but the soil annually produces its priceless contribution to human needs and will continue to do so indefinitely, if properly and scientifically treated.

Farming is mankind's greatest industry, and the soil its greatest physical asset. In agriculture is the hope of the nation. It is generally conceded by every authority upon the subject that our agricultural methods must be redirected along scientific lines; that we must produce from a given area larger returns, at less cost, and with less expenditure of manual labor. Scientific methods will enable the farmer to do this. The need for it is shown by the ever-increasing cost of living. Population is rapidly overtaking production.

We now consume ninety-one per cent of our wheat and ninety-eight per cent of our corn. Exporting of food products is reaching the vanishing point. Six years ago we exported 525,000 cattle; last year we exported only 105,000, a loss of seventy-five per cent in six years. The number of beef cattle in this country six years ago was 51,500,000. It is now approximately 36,000,000, a loss of about thirty per cent. In fifty years from now, when the population of this country has reached 200,000,000, it may be a serious question what we will eat.

The average yield of wheat for ten years in the United States is fourteen bushels per acre; the average yield per acre in western Europe is thirty-two. The average yield at our experimental stations is thirty-two bushels per acre, showing that what has been done in Europe can be approximated here.

The agricultural colleges and experimental stations have done a great deal toward the education of young farmers. Many of the railway companies have also done a great deal of experimental work, and have met with great success, but this work only reaches those farmers who are enterprising enough, or who have the time, to attend the lectures and demonstration trains. The urgent necessity is that this scientific knowledge and demonstration shall be carried onto each and every farm, and into each and every farm home.

The farmer must be shown that he can do this work scientifically himself; that he can raise on his own farm the same

average crops that are grown on the experimental farms and do it with less labor than he is now expending. He should also be shown that the farm home, and the social conditions of the farm, can be made just as comfortable and attractive as the conditions in the cities, and this must be done if the young men and women are to be induced to remain on the farms.

When this is accomplished, the problem is solved, and not before. Farming is a difficult and intricate business and must have scientific aid if the best results are to be obtained.

The Lever Agricultural Extension Bill, now before Congress, is the most practical law that has been suggested for this purpose. This law provides that a trained farm demonstrator, or scientific and practical farmer, be placed in every agricultural county at public expense, to take to the farmer the latest and best methods to employ in his vocation.

I am assured by the President of the National Soil Fertility League that this bill will undoubtedly become a law in the early regular session of Congress. It will then remain only for the states to take up legislation that will complete the plan, and this is where the commercial organizations can be of great assistance. When completed, it will, in my judgment, be the most beneficial legislation that has been enacted in the last half century. Thus, I consider that the "Outlook" for agricultural prosperity is very bright.

Having met the problem of increased soil production, we come now to the third problem, viz., distribution, or, the movement of the things that nature yieldeth either direct to the consumer or to the places where it is to be prepared for human consumption and its movement from those points to the farmer or other consumer, wherever he may be located, and this, to my mind, is the most difficult problem of the three.

In this country, where there are practically no inland waterways, this must be met by rail transportation. Without an adequate system of transportation that can move quickly and regularly the produce of the soil, the mine and the forest to the points where it is prepared for use, and from these points to destination or points of consumption, more scientific farming and manufacturing will avail us nothing, and this problem is the most difficult because of its magnitude. It cannot be accomplished by individuals, or in small units, but requires the aggregate capital of hundreds of thousands of people.

On account of its magnitude, it partakes of the nature of a monopoly, and it is difficult, even under the most liberal man-

agement, for a private monopoly to secure and maintain the confidence of the people.

Since the signing of the John Jay Treaty, which this banquet commemorates, great and wonderful changes have taken place in this country. For more than a half century thereafter, all the territory west of the Mississippi River was a wilderness, and in the whole country there was practically no mode of transportation. Since that time an empire has been builded upon what was then considered an unreclaimable desert; a great system of railway lines has been constructed mostly by private capital. It has pushed out beyond population and has been the main instrument of the people in populating and developing this vast country.

These railway lines were, however, cheaply built of very light construction, which was then thought to be adequate for the prospective traffic to be handled, but, as the country grew, they became entirely inadequate. At first they were cheaply maintained and operated, because the natural resources of the country were at the disposal of the operators of these railways, the same as they were at the disposal of other citizens. Fuel was to be had for the mere cost of taking it; ties and timber for the mere cost of taking and preparing for use. Wages were comparatively low because the cost of individual living was low.

In more recent years, since the natural resources of the country have been more or less depleted, the cost of everything that goes to make up a railroad has been enormously increased, and as the cost of individual living has increased, great increases in wages of railway employes have taken place.

Furthermore, the inadequacy of these early constructed railways has made it necessary to practically rebuild them along much broader lines—heavier rails, heavier bridges, double tracks, larger terminals, large union passenger stations, larger locomotives, steel passenger cars, electric headlights and many other improvements made necessary by state or federal laws have made necessary the borrowing of large sums of money for improving the railway systems.

While in years past some proportion of the earnings of the railways was put back into the properties, still, it was necessary to borrow enormous sums of money to keep the transportation system up to the ever-increasing demands of manufacturing, commerce and agriculture.

Meanwhile, everything purchased by the railways has enormously increased in price, while the price of the only commodity

which they have for sale has not increased, but has very greatly decreased. Passenger fares in practically all of the western states have been reduced thirty-three and one-third per cent during the past five years, and similar decreases have also been made in the freight rates. It is no more possible to reduce the purchasing power of the dollar in all commodities except one, and leave that stationary, or increase it in that single commodity, than it is to change the laws of gravity.

For some time past, practically all of the new money secured by the railways has been borrowed at high rates of interest and bonds issued therefor, it having become impossible to sell further shares of stock to the public at any price. We are, it is true, a nation of borrowers. The tendency is to issue bonds on which to secure funds for almost every kind of improvement, but it must be perfectly clear that this plan cannot go on indefinitely.

Whether it be a farmer, a manufacturer or a transportation company, if every dollar put into the property for improvements and betterments is provided only through the increase of the funded debt, there will, sooner or later, come an adverse year when the institution will find itself unable to meet its fixed charges, but before that time, it will find itself unable to borrow further funds, except at excessive rates of interest, if at all.

Some of the railways have already reached this point and are unable to secure funds on any basis, and others are unable to secure sufficient to take care of their needed improvements. It is as necessary for the transportation systems to put back into their properties a fair portion of their earnings as it is for the farmer or the manufacturer to do so, and this is the only possible means by which a proper transportation system can be built up and kept up by private capital.

This country has the best transportation system, at the lowest rates, and operated by the highest paid employes, of any system in the world. It would still have this if a slight increase was made in the rates of transportation.

The railway stockholders of this country are made up of hundreds of thousands of all classes of our citizens. On the Pennsylvania Railroad more than one-half of the stockholders are women, but I am making no plea for the stockholders—they can probably take care of themselves, and it is because I fear that they will take care of themselves and leave the railways to shift for themselves, that I am disturbed regarding the railway situation.

If private capital continues to be withheld from railway

investments, as it is now doing, government ownership will be the only alternative, and while this will probably be the ultimate solution of the problem, I do not believe the country is ready for it yet. Pending the time when the people are ready for that, the splendid railway system which they now have should be kept intact and improved in accordance with the necessities of commerce, in order that when it is taken over by the government, it will not have deteriorated so that the government will have to tax the people for its rehabilitation.

It may also be set down as a certainty that if there is no change in the conditions when the government does take over the railways, one of three things must happen—either the rates will be raised, wages reduced or the deficit will have to be made up by taxation.

Fortunately, our people have the experience of other countries to guide them. There is practically no government owned and operated railway in the world that has not increased its freight or passenger rates during the past five years and there is, I believe, more dissatisfaction among the shippers on government railways than on private railways in the same countries, or, for that matter, in any country.

The eastern railways have asked permission to increase their freight rates five per cent, and the matter is now before the Interstate Commerce Commission. This, of itself, would not recoup them for the increases in wages that have been made during the last five years, but it would give renewed confidence; would enable them to renew purchases and improvements, and thus start manufacturing on a better scale.

There seems to be no great opposition on the part of the shippers to this increase, and it is believed by those who have the situation in hand that such a showing will be made as to justify the Interstate Commerce Commission in granting the increase. The railway "Outlook," therefore, seems encouraging.

Some of the laws that have been passed by the present Congress will, undoubtedly, prove beneficial, and others are probably needed, but this may be safely said, that whether we have high tariff or low tariff, an income tax collectible at the source, a change in the currency laws, or whatever else may be passed, the people of this country will go on eating, drinking, "marrying and giving in marriage," "multiplying and replenishing the earth," as they have done in the past, in spite of what is said to be the worst currency system in the world, and other similar conditions, but they cannot live comfortably unless the products of the soil are increased to correspond with the increased population, and unless they have the means of preparing this produce for consumption and the means for carrying it from originating point to the point of consumption.

Therefore, I place the three problems referred to by Lord Bacon as paramount in importance to all the other commercial problems of this country. "When these three wheels go wealth will flow as in a springtide."

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REPORT ON MANUFACTURES

COMMUNICATION TO THE
HOUSE OF REPRESENTATIVES
DECEMBER 5, 1791

FROM

ALEXANDER HAMILTON
SECRETARY OF THE TREASURY

ON THE
SUBJECT OF MANUFACTURES

PRESENTED BY MR. SMOOT
AUGUST 30, 1913.—Ordered to be printed

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REPORT ON MANUFACTURES, COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, DECEMBER 5, 1791.

[No. 31. Second Congress, first session.]

The Secretary of the Treasury, in obedience to the order of the House of Representatives of the 15th day of January, 1790, has applied his attention, at as early a period as his other duties would permit, to the subject of manufactures, and particularly to the means of promoting such as will tend to render the United States independent of foreign nations for military and other essential supplies; and he thereupon respectfully submits the following report:

The expediency of encouraging manufactures in the United States, which was not long since deemed very questionable, appears at this time to be pretty generally admitted. The embarrassments which have obstructed the progress of our external trade, have led to serious reflections on the necessity of enlarging the sphere of our domestic commerce. The restrictive regulations, which, in foreign markets, abridge the vent of the increasing surplus of our agricultural produce, serve to beget an earnest desire that a more extensive demand for that surplus may be created at home; and the complete success which has rewarded manufacturing enterprise, in some valuable branches, conspiring with the promising symptoms which attend some less mature essays in others, justify a hope that the obstacles to the growth of this species of industry are less formidable than they were apprehended to be; and that it is not difficult to find, in its further extension, a full indemnification for any external disadvantages, which are or may be experienced, as well as an accession of resources, favorable to national independence and safety.

There still are, nevertheless, respectable patrons of opinions unfriendly to the encouragement of manufactures. The following are, substantially, the arguments by which these opinions are defended:

"In every country (say those who entertain them) agriculture is the most beneficial and productive object of human industry. This position, generally if not universally true, applies with peculiar emphasis to the United States on account of their immense tracts of fertile territory, uninhabited and unimproved. Nothing can afford so advantageous an employment for capital and labor as the conversion of this extensive wilderness into cultivated farms. Nothing, equally with this, can contribute to the population, strength, and real riches of the country.

"To endeavor by the extraordinary patronage of Government to accelerate the growth of manufactures is, in fact, to endeavor, by force and art, to transfer the natural current of industry from a more to a less beneficial channel. Whatever has such a tendency must necessarily be unwise; indeed, it can hardly ever be wise in a government to attempt to give a direction to the industry of its citizens. This, under the quick-sighted guidance of private interests, will, if

left to itself, infallibly find its own way to the most profitable employment; and it is by such employment that the public prosperity will be most effectually promoted. To leave industry to itself, therefore, is, in almost every case, the soundest as well as the simplest policy.

"This policy is not only recommended to the United States by considerations that will affect all nations; it is, in a manner, dictated to them by the imperious force of a very peculiar situation. The smallness of their population compared with their territory; the constant allurements to emigration from the settled to the unsettled parts of the country; the facility with which the less independent condition of the artisan can be exchanged for the more independent condition of the farmer; these and similar causes conspire to produce, and, for a length of time, must continue to occasion a scarcity of hands for manufacturing occupation and dearness of labor generally. To these disadvantages for the prosecution of manufactures, a deficiency of pecuniary capital being added, the prospect of a successful competition with the manufactures of Europe must be regarded as little less than desperate. Extensive manufactures can only be the offspring of a redundant, at least of a full population. Till the latter shall characterize the situation of this country, 'tis vain to hope for the former.

"If, contrary to the natural course of things, an unseasonable and premature spring can be given to certain fabrics, by heavy duties, prohibitions, bounties, or by other forced expedients, this will only be to sacrifice the interests of the community to those of particular classes. Besides the misdirection of labor, a virtual monopoly will be given to the persons employed on such fabrics, and an enhancement of price, the inevitable consequence of every monopoly, must be defrayed at the expense of the other parts of the society. It is far preferable that those persons should be engaged in the cultivation of the earth, and that we should procure, in exchange for its productions, the commodities with which foreigners are able to supply us in greater perfection and upon better terms."

This mode of reasoning is founded upon facts and principles which have certainly respectable pretensions. If it had governed the conduct of nations more generally than it has done, there is room to suppose that it might have carried them faster to prosperity and greatness than they have attained by the pursuit of maxims too widely opposite. Most general theories, however, admit of numerous exceptions, and there are few, if any, of the political kind which do not blend a considerable portion of error with the truths they inculcate.

In order to an accurate judgment how far that which has been just stated ought to be deemed liable to a similar imputation, it is necessary to advert carefully to the considerations which plead in favor of manufactures, and which appear to recommend the special and positive encouragement of them in certain cases and under certain reasonable limitations.

It ought readily to be conceded that the cultivation of the earth, as a primary and most certain source of national supply; as the immediate and chief source of subsistence to man; as the principal source of those materials which constitute the nutriment of other kinds of labor; as including a state most favorable to the freedom and independence of the human mind—one, perhaps, most conducive to the

multiplication of the human species—has intrinsically a strong claim to preeminence over every other kind of industry.

But that it has a title to anything like exclusive predilection in any country ought to be admitted with great caution; that it is even more productive than every other branch of industry requires more evidence than has yet been given in support of the position. That its real interests, precious and important as, without any help of exaggeration, they truly are, will be advanced, rather than injured, by the due encouragement of manufactures, may, it is believed, be satisfactorily demonstrated. And it is also believed that the expediency of such encouragement, in a general view, may be shown to be recommended by the most cogent and persuasive motives of national policy.

It has been maintained that agriculture is not only the most productive, but the only productive species of industry. The reality of this suggestion, in either respect, has, however, not been verified by any accurate detail of facts and calculations; and the general arguments which are adduced to prove it are rather subtile and paradoxical than solid or convincing.

Those which maintain its exclusive productiveness are to this effect:

Labor bestowed upon the cultivation of land produces enough not only to replace all the necessary expenses incurred in the business and to maintain the persons who are employed in it, but to afford, together with the ordinary profit on the stock or capital of the farmer, a net surplus or rent for the proprietor or landlord of the soil. But the labor of artificers does nothing more than replace the stock which employs them (or which furnishes materials, tools, and wages) and yield the ordinary profit upon the stock. It yields nothing equivalent to the rent of land; neither does it add anything to the total value of the whole annual produce of the land and labor of the country. The additional value given to those parts of the produce of land, which are wrought into manufactures is counterbalanced by the value of those other parts of that produce which are consumed by the manufacturers. It can, therefore, only be by saving or parsimony, not by the positive productiveness of their labor, that the classes of artificers can, in any degree, augment the revenue of the society.

To this it has been answered:

1. "That, inasmuch as it is acknowledged that manufacturing labor reproduces a value equal to that which is expended or consumed in carrying it on, and continues in existence the original stock or capital employed, it ought, on that account alone, to escape being considered as wholly unproductive. That, though it should be admitted, as alleged, that the consumption of the produce of the soil by the classes of artificers or manufacturers is exactly equal to the value added by their labor to the materials upon which it is exerted, yet it would not thence follow that it added nothing to the revenue of the society or to the aggregate value of the annual produce of its land and labor. If the consumption for any given period amounted to a given sum and the increased value of the produce manufactured in the same period to a like sum, the total amount of the consumption and production during that period would be equal to the two sums, and consequently double the value of the

agricultural produce consumed, and though the increment of value produced by the classes of artificers should at no time exceed the value of the produce of the land consumed by them, yet there would be at every moment, in consequence of their labor, a greater value of goods in the market than would exist independent of it."

2. "That the position that artificers can augment the revenue of a society only by parsimony is true in no other sense than in one which is equally applicable to husbandmen or cultivators. It may be alike affirmed of all these classes that the fund acquired by their labor and destined for their support is not, in an ordinary way, more than equal to it. And hence it will follow that augmentations of the wealth or capital of the community (except in the instances of some extraordinary dexterity or skill) can only proceed with respect to any of them from the savings of the more thrifty and parsimonious."

3. "That the annual produce of the land and labor of a country can only be increased in two ways—by some improvement in the productive powers of the useful labor which actually exists within it, or by some increase in the quantity of such labor. That, with regard to the first, the labor of artificers being capable of greater subdivision and simplicity of operation than that of cultivators, it is susceptible, in a proportionately greater degree of improvement in its productive powers, whether to be derived from an accession of skill or from the application of ingenious machinery; in which particular, therefore, the labor employed in the culture of land can pretend to no advantage over that engaged in manufactures. That, with regard to an augmentation of the quantity of useful labor, this, excluding adventitious circumstances, must depend essentially upon an increase of capital, which again must depend upon the savings made out of the revenues of those who furnish or manage that which is at any time employed, whether in agriculture or in manufactures, or in any other way."

But, while the exclusive productiveness of agricultural labor has been thus denied and refuted, the superiority of its productiveness has been conceded without hesitation. As this concession involves a point of considerable magnitude, in relation to maxims of public administration, the grounds on which it rests are worthy of a distinct and particular examination.

One of the arguments made use of in support of the idea, may be pronounced both quaint and superficial. It amounts to this: That, in the productions of the soil, nature cooperates with man; and that the effect of their joint labor must be greater than that of the labor of man alone.

This, however, is far from being a necessary inference. It is very conceivable that the labor of man alone laid out upon a work requiring great skill and art to bring it to perfection may be more productive in value than the labor of nature and man combined when directed toward more simple operations and objects; and when it is recollected to what an extent the agency of nature, in the application of the mechanical powers, is made auxiliary to the prosecution of manufactures, the suggestion which has been noticed loses even the appearance of plausibility.

It might also be observed, with a contrary view, that the labor employed in agriculture is in a great measure periodical and occa-

sional, depending on seasons, and liable to various and long intermissions, while that occupied in many manufactures is constant and regular, extending through the year, embracing in some instances night as well as day. It is also probable that there are among the cultivators of land more examples of remissness than among artificers. The farmer, from the peculiar fertility of his land or some other favorable circumstance, may frequently obtain a livelihood even with a considerable degree of carelessness in the mode of cultivation, but the artisan can with difficulty effect the same object without exerting himself pretty equally with all those who are engaged in the same pursuit. And if it may likewise be assumed as a fact that manufactures open a wider field to exertions of ingenuity than agriculture, it would not be a strained conjecture that the labor employed in the former, being at once more constant, more uniform, and more ingenious than that which is employed in the latter, will be found at the same time more productive.

But it is not meant to lay stress on observations of this nature; they ought only to serve as a counterbalance to those of a similar complexion. Circumstances so vague and general, as well as so abstract, can afford little instruction in a matter of this kind.

Another, and that which seems to be the principal argument offered for the superior productiveness of agricultural labor turns upon the allegation that labor employed on manufactures yields nothing equivalent to the rent of land, or to that net surplus, as it is called, which accrues to the proprietor of the soil.

But this distinction, important as it has been deemed, appears rather verbal than substantial.

It is easily discernible that what, in the first instance, is divided into two parts, under the denominations of the ordinary profit of the stock of the farmer and rent to the landlord, is, in the second instance, united under the general appellation of the ordinary profit on the stock of the undertaker; and that this formal or verbal distribution constitutes the whole difference in the two cases. It seems to have been overlooked that the land is itself a stock or capital, advanced or lent by its owner to the occupier or tenant, and that the rent he receives is only the ordinary profit of a certain stock in land, not managed by the proprietor himself, but by another, to whom he lends or lets it, and who, on his part, advances a second capital to stock and improve the land, upon which he also receives the usual profit. The rent of the landlord and the profit of the farmer are, therefore, nothing more than the ordinary profits of two capitals belonging to two different persons and united in the cultivation of a farm, as, in the other case, the surplus which arises upon any manufactory, after replacing the expenses of carrying it on, answers to the ordinary profits of one or more capitals engaged in the prosecution of such manufactory. It is said one or more capitals, because, in fact, the same thing which is contemplated in the case of the farm sometimes happens in that of a manufactory. There is one, who furnishes a part of the capital or lends a part of the money by which it is carried on, and another, who carries it on with the addition of his own capital. Out of the surplus which remains after defraying expenses, an interest is paid to the money lender, for the portion of the capital furnished by him, which exactly agrees with the rent paid to the landlord; and the residue of that surplus constitutes the profit of the undertaker

or manufacturer and agrees with what is denominated the ordinary profits on the stock of the farmer. Both together make the ordinary profits of two capitals employed in a manufactory, as, in the other case, the rent of the landlord and the revenue of the farmer compose the ordinary profits of two capitals employed in the cultivation of a farm.

The rent, therefore, accruing to the proprietor of the land, far from being a criterion of exclusive productiveness, as has been argued, is no criterion even of superior productiveness. The question must still be, whether the surplus, after defraying expenses of a given capital, employed in the purchase and improvement of a piece of land, is greater or less than that of a like capital employed in the prosecution of a manufactory; or whether the whole value produced from a given capital and a given quantity of labor employed in one way be greater or less than the whole value produced from an equal capital and an equal quantity of labor employed in the other way; or rather, perhaps, whether the business of agriculture or that of manufactures will yield the greatest product, according to a compound ratio of the quantity of the capital and the quantity of labor which are employed in the one or in the other.

The solution of either of these questions is not easy; it involves numerous and complicated details, depending on an accurate knowledge of the objects to be compared. It is not known that the comparison has ever yet been made upon sufficient data, properly ascertained and analyzed. To be able to make it on the present occasion with satisfactory precision would demand more previous inquiry and investigation than there has been hitherto either leisure or opportunity to accomplish.

Some essays, however, have been made toward acquiring the requisite information which have rather served to throw doubt upon than to confirm the hypothesis under examination. But it ought to be acknowledged that they have been too little diversified and are too imperfect to authorize a definite conclusion either way, leading, rather, to probable conjecture than to certain deduction. They render it probable that there are various branches of manufactures in which a given capital will yield a greater total product and a considerably greater net product than an equal capital invested in the purchase and improvement of lands, and that there are also some branches in which both the gross and the net produce will exceed that of agricultural industry, according to a compound ratio of capital and labor. But it is on this last point that there appears to be the greatest room for doubt. It is far less difficult to infer generally that the net produce of capital engaged in manufacturing enterprises is greater than that of capital engaged in agriculture.

The foregoing suggestions are not designed to inculcate an opinion that manufacturing industry is more productive than that of agriculture. They are intended rather to show that the reverse of this proposition is not ascertained; that the general arguments which are brought to establish it are not satisfactory, and consequently that a supposition of the superior productiveness of tillage ought to be no obstacle to listening to any substantial inducements to the encouragement of manufactures, which may be otherwise perceived to exist, through an apprehension that they may have a tendency to divert labor from a more to a less profitable employment.

It is extremely probable that, on a full and accurate development of the matter, on the ground of fact and calculation, it would be discovered that there is no material difference between the aggregate productiveness of the one, and of the other kind of industry; and that the propriety of the encouragements which may, in any case, be proposed to be given to either, ought to be determined upon considerations irrelative to any comparison of that nature.

II. But without contending for the superior productiveness of manufacturing industry, it may conduce to a better judgment of the policy which ought to be pursued respecting its encouragement to contemplate the subject under some additional aspects, tending not only to confirm the idea that this kind of industry has been improperly represented as unproductive in itself, but to evince, in addition, that the establishment and diffusion of manufactures have the effect of rendering the total mass of useful and productive labor, in a community, greater than it would otherwise be. In prosecuting this discussion, it may be necessary briefly to resume and review some of the topics which have been already touched.

To affirm that the labor of the manufacturer is unproductive because he consumes as much of the produce of land as he adds value to the raw material which he manufactures, is not better founded, than it would be to affirm that the labor of the farmer, which furnishes materials to the manufacturer, is unproductive because he consumes an equal value of manufactured articles. Each furnishes a certain portion of the produce of his labor to the other, and each destroys a correspondent portion of the produce of the labor of the other. In the meantime the maintenance of two citizens instead of one is going on; the State has two members instead of one; and they, together, consume twice the value of what is produced from the land.

If, instead of a farmer and artificer, there were a farmer only, he would be under the necessity of devoting a part of his labor to the fabrication of clothing, and other articles, which he would procure of the artificer, in case of there being such a person; and of course he would be able to devote less labor to the cultivation of his farm, and would draw from it a proportionately less product. The whole quantity of production, in this state of things, in provisions, raw materials, and manufactures, would certainly not exceed in value the amount of what would be produced in provisions and raw materials only, if there were an artificer as well as a farmer.

Again, if there were both an artificer and a farmer, the latter would be left at liberty to pursue exclusively the cultivation of his farm. A greater quantity of provisions and raw materials would, of course, be produced, equal, at least, as has been already observed, to the whole amount of the provisions, raw materials, and manufactures, which would exist on a contrary supposition. The artificer, at the same time, would be going on in the production of manufactured commodities, to an amount sufficient, not only to repay the farmer, in those commodities, for the provisions and materials which were procured from him, but to furnish the artificer himself, with a supply of similar commodities for his own use. Thus, then, there would be two quantities or values in existence, instead of one; and the revenue and consumption would be double, in one case, what it would be in the other.

If, in place of both of these suppositions, there were supposed to be two farmers and no artificer, each of whom applied a part of his labor to the culture of land, and another part to the fabrication of manufactures: in this case, the portion of the labor of both bestowed, upon land, would produce the same quantity of provisions and raw materials only, as would be produced by the entire sum of the labor of one, applied in the same manner, and the portion of the labor of both, bestowed upon manufactures, would produce the same quantity of manufactures only, as would be produced by the entire sum of the labor of one, applied in the same manner. Hence, the produce of the labor of the two farmers would not be greater than the produce of the labor of the farmer and the artificer; and hence it results, that the labor of the artificer is as positively productive as that of the farmer, and as positively augments the revenue of the society.

The labor of the artificer replaces to the farmer that portion of his labor with which he provides the materials of exchange with the artificer, and which he would otherwise have been compelled to apply to manufactures; and while the artificer thus enables the farmer to enlarge his stock of agricultural industry, a portion of which he purchases for his own use, he also supplies himself with the manufactured articles, of which he stands in need. He does still more. Besides this equivalent, which he gives for the portion of agricultural labor consumed by him, and this supply of manufactured commodities for his own consumption, he furnishes still a surplus, which compensates for the use of the capital advanced, either by himself or some other person, for carrying on the business. This is the ordinary profit of the stock employed in the manufactory, and is, in every sense, as effective an addition to the income of the society as the rent of land.

The produce of the labor of the artificer, consequently, may be regarded as composed of three parts; one, by which the provisions for his subsistence and the materials for his work, are purchased of the farmer; one, by which he supplies himself with manufactured necessaries; and a third, which constitutes the profit on the stock employed. The last two portions seem to have been overlooked, in the system which represents manufacturing industry, as barren and unproductive.

In the course of the preceding illustrations, the products of equal quantities of the labor of the farmer and artificer have been treated as if equal to each other. But this is not to be understood as intending to assert any such precise equality. It is merely a manner of expression, adopted for the sake of simplicity and perspicuity. Whether the value of the produce of the labor of the farmer be somewhat more or less than that of the artificer, is not material to the main scope of the argument, which hitherto has only aimed at showing that the one, as well as the other, occasions a positive augmentation of the total produce and revenue of the society.

It is now proper to proceed a step further, and to enumerate the principal circumstances from which it may be inferred that manufacturing establishments not only occasion a positive augmentation of the produce and revenue of the society, but that they contribute essentially to rendering them greater than they could possibly be, without such establishments. These circumstances are:

1. The division of labor.

2. An extension of the use of machinery.

3. Additional employment to classes of the community not ordinarily engaged in the business.

4. The promoting of emigration from foreign countries.

5. The furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other.

6. The affording a more ample and various field for enterprise.

7. The creating, in some instances, a new and securing in all a more certain and steady demand for the surplus produce of the soil.

Each of these circumstances has a considerable influence upon the total mass of industrious effort in a community; together they add to it a degree of energy and effect which are not easily conceived. Some comments upon each of them, in the order in which they have been stated, may serve to explain their importance.

1. As to the Division of Labor.

It has justly been observed that there is scarcely anything of greater moment in the economy of a nation than the proper division of labor. The separation of occupations causes each to be carried to a much greater perfection than it could possibly acquire if they were blended. This arises principally from three circumstances.

First. The greater skill and dexterity naturally resulting from a constant and undivided application to a single object. It is evident that these properties must increase in proportion to the separation and simplification of objects and the steadiness of the attention devoted to each, and must be less in proportion to the complication of objects and the number among which the attention is distracted.

Second. The economy of time, by avoiding a loss of it, incident to a frequent transition from one operation to another of a different nature. This depends on various circumstances: The transition itself; the orderly disposition of the implements, machines, and materials employed in the operation to be relinquished; the preparatory steps to the commencement of a new one; the interruption of the impulse which the mind of the workman acquires from being engaged in a particular operation; the distractions, hesitations, and reluctances which attend the passage from one kind of business to another.

Third. An extension of the use of machinery. A man occupied on a single object will have it more in his power and will be more naturally led to exert his imagination in devising methods to facilitate and abridge labor than if he were perplexed by a variety of independent and dissimilar operations. Besides this, the fabrication of machines in numerous instances becoming itself a distinct trade, the artist who follows it has all the advantages which have been enumerated, for improvement in his particular art; and in both ways the invention and application of machinery are extended.

And from these causes united, the mere separation of the occupation of the cultivator from that of the artificer has the effect of augmenting the productive powers of labor and with them the total mass of the produce or revenue of a country. In this single view of the subject, therefore, the utility of artificers or manufacturers toward promoting an increase of productive industry is apparent.

2. As to an Extension of the Use of Machinery, a Point Which, Though Partly Anticipated, Requires to Be Placed in One or Two Additional Lights.

The employment of machinery forms an item of great importance in the general mass of national industry. It is an artificial force brought in aid of the natural force of man; and, to all purposes of labor, is an increase of hands, an accession of strength, unencumbered, too, by the expense of maintaining the laborer. May it not, therefore, be fairly inferred that those occupations which give greatest scope to the use of this auxiliary contribute most to the general stock of industrious effort and, in consequence, to the general product of industry?

It shall be taken for granted, and the truth of the position referred to observation, that manufacturing pursuits are susceptible, in a greater degree, of the application of machinery than those of agriculture. If so, all the difference is lost to a community, which, instead of manufacturing for itself, procures the fabrics requisite to its supply from other countries. The substitution of foreign for domestic manufactures is a transfer to foreign nations of the advantages accruing from the employment of machinery in the modes in which it is capable of being employed with most utility and to the greatest extent.

The cotton mill invented in England within the last 20 years is a signal illustration of the general proposition which has just been advanced. In consequence of it, all the different processes for spinning cotton are performed by means of machines, which are put in motion by water, and attended chiefly by women and children, and by a smaller number of persons, in the whole, than are requisite in the ordinary mode of spinning. And it is an advantage of great moment that the operations of this mill continue with convenience during the night as well as through the day. The prodigious effect of such a machine is easily conceived. To this invention is to be attributed, essentially, the immense progress which has been so suddenly made in Great Britain in the various fabrics of cotton.

3. As to the Additional Employment of Classes of the Community Not Originally Engaged in the Particular Business.

This is not among the least valuable of the means by which manufacturing institutions contribute to augment the general stock of industry and production. In places where those institutions prevail, besides the persons regularly engaged in them, they afford occasional and extra employment to industrious individuals and families, who are willing to devote the leisure resulting from the intermissions of their ordinary pursuits to collateral labors, as a resource for multiplying their acquisitions or their enjoyments. The husbandman himself experiences a new source of profit and support from the increased industry of his wife and daughters, invited and stimulated by the demands of the neighboring manufactories.

Besides this advantage of occasional employment to classes having different occupations, there is another, of a nature allied to it, and of a similar tendency. This is the employment of persons who would otherwise be idle, and in many cases a burden on the community,

either from the bias of temper, habit, infirmity of body, or some other cause, indisposing or disqualifying them for the toils of the country. It is worthy of particular remark that, in general, women and children are rendered more useful, and the latter more early useful, by manufacturing establishments than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great Britain it is computed that four-sevenths, nearly, are women and children, of whom the greatest proportion are children and many of them of a tender age.

And thus it appears to be one of the attributes of manufactures, and one of no small consequence, to give occasion to the exertion of a greater quantity of industry, even by the same number of persons, where they happen to prevail, than would exist if there were no such establishments.

4. As to the Promoting Emigration from Foreign Countries.

Men reluctantly quit one course of occupation and livelihood for another, unless invited to it by very apparent and proximate advantages. Many who would go from one country to another if they had a prospect of continuing with more benefit the callings to which they have been educated will often not be tempted to change their situation by the hope of doing better in some other way. Manufacturers, who, listening to the powerful invitations of a better price for their fabrics, or their labor, of greater cheapness of provisions and raw materials, of an exemption from the chief part of the taxes, burdens, and restraints which they endure in the Old World, of greater personal independence and consequence under the operation of a more equal government and of what is far more precious than mere religious toleration, a perfect equality of religious privileges, would probably flock from Europe to the United States to pursue their own trades or professions if they were once made sensible of the advantages they would enjoy and were inspired with an assurance of encouragement and employment, will with difficulty be induced to transplant themselves with a view to becoming cultivators of land.

If it be true, then, that it is the interest of the United States to open every possible avenue to emigration from abroad, it affords a weighty argument for the encouragement of manufactures, which, for the reasons just assigned, will have the strongest tendency to multiply the inducements to it.

Here is perceived an important resource not only for extending the population, and with it the useful and productive labor of the country, but likewise for the prosecution of manufactures without deducting from the number of hands which might otherwise be drawn to tillage, and even for the indemnification of agriculture for such as might happen to be diverted from it. Many whom manufacturing views would induce to emigrate would afterwards yield to the temptations which the particular situation of this country holds out to agricultural pursuits. And while agriculture would in other respects derive many signal and unmingled advantages from the growth of manufactures, it is a problem whether it would gain or lose as to the article of the number of persons employed in carrying it on.

5. As to the Furnishing Greater Scope for the Diversity of Talents and Dispositions which Discriminate Men from Each Other.

This is a much more powerful means of augmenting the fund of national industry than may at first sight appear. It is a just observation that minds of the strongest and most active powers for their proper objects fall below mediocrity and labor without effect if confined to uncongenial pursuits. And it is thence to be inferred that the results of human exertion may be immensely increased by diversifying its objects. When all the different kinds of industry obtain in a community each individual can find his proper element and can call into activity the whole vigor of his nature, and the community is benefited by the services of its respective members in the manner in which each can serve it with most effect.

If there be anything in a remark often to be met with, namely, that there is in the genius of the people of this country a peculiar aptitude for mechanic improvements, it would operate as a forcible reason for giving opportunities to the exercise of that species of talent by the propagation of manufactures.

6. As to the Affording a More Ample and Various Field for Enterprise.

This also is of greater consequence in the general scale of national exertion than might, perhaps, on a superficial view be supposed, and has effects not altogether dissimilar from those of the circumstance last noticed. To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous sometimes become so by their tendency to provoke exertion. Every new scene which is opened to the busy nature of man to rouse and exert itself is the addition of a new energy to the general stock of effort.

The spirit of enterprise, useful and prolific as it is, must necessarily be contracted or expanded in proportion to the simplicity or variety of the occupations and productions which are to be found in a society. It must be less in a nation of mere cultivators than in a nation of cultivators and merchants; less in a nation of cultivators and merchants than in a nation of cultivators, artificers, and merchants.

7. As to the Creating, in Some Instances, a New and Securing in All a More Certain and Steady Demand for the Surplus Produce of the Soil.

This is among the most important of the circumstances which have been indicated. It is a principal mean by which the establishment of manufactures contributes to an augmentation of the produce or revenue of a country, and has an immediate and direct relation to the prosperity of agriculture.

It is evident that the exertions of the husbandman will be steady or fluctuating, vigorous or feeble, in proportion to the steadiness or fluctuation, adequateness or inadequateness of the markets on which

he must depend, for the vent of the surplus which may be produced by his labor; and that such surplus, in the ordinary course of things, will be greater or less in the same proportion.

For the purpose of this vent a domestic market is greatly to be preferred to a foreign one, because it is, in the nature of things, far more to be relied upon.

It is a primary object of the policy of nations to be able to supply themselves with subsistence from their own soils; and manufacturing nations, as far as circumstances permit, endeavor to procure from the same source the raw materials necessary for their own fabrics.

This disposition, urged by the spirit of monopoly, is sometimes even carried to an injudicious extreme. It seems not always to be recollected that nations who have neither mines nor manufactures can only obtain the manufactured articles of which they stand in need by an exchange of the products of their soils, and that if those who can best furnish them with such articles are unwilling to give due course to this exchange they must of necessity make every possible effort to manufacture for themselves, the effect of which is that the manufacturing nations abridge the natural advantages of their situation through an unwillingness to permit the agricultural countries to enjoy the advantages of theirs and sacrifice the interests of a mutually beneficial intercourse to the vain project of selling everything and buying nothing.

But it is also a consequence of the policy which has been noted that the foreign demands for the products of agricultural countries is, in a great degree, rather casual and occasional than certain and constant. To what extent injurious interruptions of the demand for some of the staple commodities of the United States may have been experienced from that cause must be referred to the judgment of those who are engaged in carrying on the commerce of the country; but it may be safely affirmed that such interruptions are at times very inconveniently felt, and that cases not infrequently occur in which markets are so confined and restricted as to render the demand very unequal to the supply.

Independently, likewise, of the artificial impediments which are created by the policy in question there are natural causes tending to render the external demand for the surplus of agricultural nations a precarious reliance. The differences of seasons in the countries which are the consumers make immense differences in the produce of their own soils in different years, and consequently in the degrees of their necessity for foreign supply. Plentiful harvests with them, especially if similar ones occur at the same time in the countries which are the furnishers, occasion, of course, a glut in the markets of the latter.

Considering how fast and how much the progress of new settlements in the United States must increase the surplus produce of the soil, and weighing seriously the tendency of the system which prevails among most of the commercial nations of Europe, whatever dependence may be placed upon the force of natural circumstances to counteract the effects of an artificial policy, there appear strong reasons to regard the foreign demand for that surplus as too uncertain a reliance and to desire a substitute for it in an extensive domestic market.

To secure such a market there is no other expedient than to promote manufacturing establishments. Manufacturers, who constitute the most numerous class after the cultivators of the land, are for that reason the principal consumers of the surplus of their labor.

This idea of an extensive domestic market for the surplus produce of the soil is of first consequence. It is, of all things, that which most effectually conduces to a flourishing state of agriculture. If the effect of manufactories should be to detach a portion of the hands which would otherwise be engaged in tillage, it might possibly cause a smaller quantity of lands to be under cultivation; but, by their tendency to procure a more certain demand for the surplus produce of the soil, they would at the same time cause the lands which were in cultivation to be better improved and more productive. And while by their influence the condition of each individual farmer would be meliorated, the total mass of agricultural production would probably be increased. For this must evidently depend as much upon the degree of improvement, if not more, than upon the number of acres under culture.

It merits particular observation that the multiplication of manufactories not only furnishes a market for those articles which have been accustomed to be produced in abundance in a country; but it likewise creates a demand for such as were either unknown, or produced in inconsiderable quantities. The bowels, as well as the surface of the earth, are ransacked for articles which were before neglected. Animals, plants, and minerals acquire an utility and value which were before unexplored.

The foregoing considerations seem sufficient to establish, as general propositions, that it is the interest of nations to diversify the industrious pursuits of the individuals who compose them. That the establishment of manufactures is calculated not only to increase the general stock of useful and productive labor, but even to improve the stage of agriculture in particular; certainly to advance the interests of those who are engaged in it. There are other views that will be hereafter taken of the subject, which it is conceived will serve to confirm these inferences.

III. Previously to a further discussion of the objections to the encouragement of manufactures, which have been stated, it will be of use to see what can be said in reference to the particular situation of the United States, against the conclusions appearing to result from what has already been offered.

It may be observed, and the idea is of no inconsiderable weight, that however true it might be that a State which, possessing large tracts of vacant and fertile territory, was, at the same time, secluded from foreign commerce, would find its interest and the interest of agriculture, in diverting a part of its population from tillage to manufactures; yet it will not follow, that the same is true of a State which, having such vacant and fertile territory, has, at the same time, ample opportunity of procuring from abroad, on good terms, all the fabrics of which it stands in need, for the supply of its inhabitants. The power of doing this at least secures the great advantage of a division of labor, leaving the farmer free to pursue, exclusively, the culture of his land, and enabling him to procure with its products the manufactured supplies requisite either to his wants or to his enjoyments.

And though it should be true that, in settled countries, the diversification of industry is conducive to an increase in the productive powers of labor, and to an augmentation of revenue and capital; yet it is scarcely conceivable that there can be anything of so solid and permanent advantage to an uncultivated and unpeopled country, as to convert its waste into cultivated and inhabited districts. If the revenue, in the meantime, should be less, the capital, in the event, must be greater.

To these observations, the following appears to be a satisfactory answer:

First. If the system of perfect liberty to industry and commerce were the prevailing system of nations, the arguments which dissuade a country, in the predicament of the United States, from the zealous pursuit of manufactures, would doubtless have great force. It will not be affirmed that they might not be permitted, with few exceptions, to serve as a rule of national conduct. In such a state of things, each country would have the full benefit of its peculiar advantages to compensate for its deficiencies or disadvantages. If one nation were in a condition to supply manufactured articles, on better terms than another, that other might find an abundant indemnification in a superior capacity to furnish the produce of the soil. And a free exchange, mutually beneficial, of the commodities which each was able to supply, on the best terms, might be carried on between them, supporting, in full vigor, the industry of each. And though the circumstances which have been mentioned, and others which will be unfolded hereafter, render it probable that nations, merely agricultural, would not enjoy the same degree of opulence, in proportion to their numbers, as those which united manufactures with agriculture; yet the progressive improvement of the lands of the former might, in the end, atone for an inferior degree of opulence in the meantime; and in a case in which opposite considerations are pretty equally balanced, the option ought, perhaps, always to be in favor of leaving industry to its own discretion.

But the system which has been mentioned, is far from characterizing the general policy of nations. The prevalent one has been regulated by an opposite spirit. The consequence of it is, that the United States are, to a certain extent, in the situation of a country precluded from foreign commerce. They can, indeed, without difficulty, obtain from abroad the manufactured supplies of which they are in want; but they experience numerous and very injurious impediments to the emission and vent of their own commodities. Nor is this the case in reference to a single foreign nation only. The regulations of several countries, with which we have the most extensive intercourse, throw serious obstructions in the way of the principle staples of the United States.

In such a position of things the United States can not exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system which should induce them to confine their views to agriculture and refrain from manufactures. A constant and increasing necessity on their part for the commodities of Europe and only a partial and occasional demand for their

own in return could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorize them to aspire.

Remarks of this kind are not made in the spirit of complaint. It is for the nations whose regulations are alluded to to judge for themselves whether by aiming at too much they do not lose more than they gain. It is for the United States to consider by what means they can render themselves least dependent on the combinations, right or wrong, of foreign policy.

It is no small consolation that already the measures which have embarrassed our trade have accelerated internal improvements, which, upon the whole, have bettered our affairs. To diversify and extend these improvements is the surest and safest method of indemnifying ourselves for any inconveniences which those or similar measures have a tendency to beget. If Europe will not take from us the products of our soil upon terms consistent with our interest, the natural remedy is to contract, as fast as possible, our wants of her.

Second. The conversion of their waste into cultivated lands is certainly a point of great moment in the political calculations of the United States. But the degree in which this may possibly be retarded by the encouragement of manufactories does not appear to countervail the powerful inducements to afford that encouragement.

An observation made in another place is of a nature to have great influence upon this question. If it can not be denied that the interests, even of agriculture, may be advanced more by having such of the lands of a State as are occupied under good cultivation than by having a greater quantity occupied under a much inferior cultivation; and if manufactories, for the reasons assigned, must be admitted to have a tendency to promote a more steady and vigorous cultivation of the lands occupied than would happen without them it will follow that they are capable of indemnifying a country for a diminution of the progress of new settlements, and may serve to increase both the capital value, and the income of its lands, even though they should abridge the number of acres under tillage.

But it does by no means follow that the progress of new settlements would be retarded by the extension of manufactures. The desire of being an independent proprietor of land is founded on such strong principles in the human breast that, where the opportunity of becoming so is as great as it is in the United States, the proportion will be small of those whose situations would otherwise lead to it, who would be diverted from it toward manufactures. And it is highly probable, as already intimated, that the accessions of foreigners, who, originally drawn over by manufacturing views, would afterwards abandon them for agricultural would be more than an equivalent for those of our own citizens who might happen to be detached from them.

The remaining objections to a particular encouragement of manufactures in the United States now require to be examined.

One of these turns on the proposition that industry if left to itself will naturally find its way to the most useful and profitable employment. Whence it is inferred that manufactures without the aid of government will grow up as soon and as fast as the natural state of things and the interest of the community may require.

Against the solidity of this hypothesis, in the full latitude of the terms, very cogent reasons may be offered. These have relations to the strong influence of habit and the spirit of imitation; the fear of want of success in untried enterprises; the intrinsic difficulties incident to first essays toward a competition with those who have previously attained to perfection in the business to be attempted; the bounties, premiums, and other artificial encouragements with which foreign nations second the exertions of their own citizens in the branches in which they are to be rivalled.

Experience teaches that men are often so much governed by what they are accustomed to see and practice that the simplest and most obvious improvement in the most ordinary occupations is adopted with hesitation, reluctance, and by slow gradations. The spontaneous transition to new pursuits in a community long habituated to different ones may be expected to be attended with proportionably greater difficulty. When former occupations ceased to yield a profit adequate to the subsistence of their followers, or when there was an absolute deficiency of employment in them, owing to the superabundance of hands, changes would ensue, but these changes would be likely to be more tardy than might consist with the interest either of individuals or of the society. In many cases they would not happen, while a bare support could be insured by an adherence to ancient courses, though a resort to a more profitable employment might be practicable. To produce the desirable changes as early as may be expedient, may therefore require the incitement and patronage of government.

The apprehension of failing in new attempts, is, perhaps, a more serious impediment. There are dispositions apt to be attracted by the mere novelty of an undertaking; but these are not always those best calculated to give it success. To this, it is of importance that the confidence of cautious, sagacious capitalists, both citizens and foreigners, should be excited. And to inspire this description of persons with confidence, it is essential that they should be made to see in any project which is new—and for that reason alone, if for no other, precarious—the prospect of such a degree of countenance and support from Government, as may be capable of overcoming the obstacles inseparable from first experiments.

The superiority antecedently enjoyed by nations who have preoccupied and perfected a branch of industry constitutes a more formidable obstacle than either of those which have been mentioned, to the introduction of the same branch into a country in which it did not exist before. To maintain between the recent establishments of one country and the long-matured establishments of another country a competition upon equal terms, both as to quality and price, is in most cases impracticable. The disparity in the one or in the other or in both must necessarily be so considerable as to forbid a successful rivalship without the extraordinary aid and protection of government.

But the greatest obstacle of all to the successful prosecution of a new branch of industry in a country in which it was before unknown consists, as far as the instances apply, in the bounties, premiums, and other aids which are granted in a variety of cases by the nations in which the establishments to be imitated are previously introduced. It is well known (and particular examples, in the course of this

report, will be cited) that certain nations grant bounties on the exportation of particular commodities to enable their own workmen to undersell and supplant all competitors in the countries to which these commodities are sent. Hence the undertakers of a new manufacture have to contend not only with the natural disadvantages of a new undertaking, but with the gratuities and remunerations which other governments bestow. To be enabled to contend with success, it is evident that the interference and aid of their own governments are indispensable.

Combinations by those engaged in a particular branch of business in one country to frustrate the first efforts to introduce it into another, by temporary sacrifices, recompensed, perhaps, by extraordinary indemnifications of the government of such country, are believed to have existed and are not to be regarded as destitute of probability. The existence or assurance of aid from the government of the country in which the business is to be introduced may be essential to fortify adventurers against the dread of such combinations, to defeat their effects, if formed, and to prevent their being formed, by demonstrating that they must in the end prove fruitless.

Whatever room there may be for an expectation that the industry of a people, under the direction of private interests, will, upon equal terms, find out the most beneficial employment for itself, there is none for a reliance that it will struggle against the force of unequal terms, or will of itself surmount all the adventitious barriers to a successful competition, which may have been erected, either by the advantages naturally acquired from practice and previous possession of the ground or by those which may have sprung from positive regulations and an artificial policy. This general reflection might alone suffice as an answer to the objection under examination exclusively of the weighty considerations which have been particularly urged.

The objections to the pursuit of manufactures in the United States, which next present themselves to discussion represent an impracticability of success, arising from three causes—scarcity of hands, dearness of labor, want of capital.

The two first circumstances are, to a certain extent, real, and, within due limits, ought to be admitted as obstacles to the success of manufacturing enterprise in the United States, but there are various considerations which lessen their force and tend to afford an assurance that they are not sufficient to prevent the advantageous prosecution of many very useful and extensive manufactories.

With regard to scarcity of hands, the fact itself must be applied with no small qualification to certain parts of the United States. There are large districts which may be considered as pretty fully peopled, and which, notwithstanding a continual drain for distant settlement, are thickly interspersed with flourishing and increasing towns. If these districts have not already reached the point at which the complaint of scarcity of hands ceases, they are not remote from it, and are approaching fast toward it; and having, perhaps, fewer attractions to agriculture than some other parts of the Union, they exhibit a proportionably stronger tendency toward other kinds of industry. In these districts may be discerned no inconsiderable maturity for manufacturing establishments.

But there are circumstances, which have been already noticed, with another view, that materially diminish everywhere the effect of a scarcity of hands. These circumstances are the great use which can be made of women and children, on which point a very pregnant and instructive fact has been mentioned—the vast extension given by late improvements to the employment of machines—which, substituting the agency of fire and water, has prodigiously lessened the necessity for manual labor; the employment of persons ordinarily engaged in other occupations, during the seasons or hours of leisure, which, besides giving occasion to the exertion of a greater quantity of labor by the same number of persons, and thereby increasing the general stock of labor, as has been elsewhere remarked, may also be taken into the calculation as a resource for obviating the scarcity of hands; lastly, the attraction of foreign emigrants. Whoever inspects with a careful eye the composition of our towns will be made sensible to what an extent this resource may be relied upon. This exhibits a large proportion of ingenious and valuable workmen, in different arts and trades, who, by expatriating from Europe, have improved their own condition and added to the industry and wealth of the United States. It is a natural inference, from the experience we have already had, that as soon as the United States shall present the countenance of a serious prosecution of manufactures; as soon as foreign artists shall be made sensible that the state of things here affords a moral certainty of employment and encouragement, competent numbers of European workmen will transplant themselves, effectually to ensure the success of the design. How, indeed, can it otherwise happen, considering the various and powerful inducements which the situation of this country offers—addressing themselves to so many strong passions and feelings, to so many general and particular interests?

It may be affirmed, therefore, in respect to hands for carrying on manufactures, that we shall, in a great measure, trade upon a foreign stock, reserving our own for the cultivation of our lands and the manning of our ships, as far as character and circumstance shall incline. It is not unworthy of remark that the objection to the success of manufactures, deduced from the scarcity of hands, is alike applicable to trade and navigation, and yet these are perceived to flourish without any sensible impediment from that cause.

As to the dearness of labor (another of the obstacles alleged), this has relation principally to two circumstances—one that which has been just discussed, or the scarcity of hands, and the other the greatness of profits.

As far as it is a consequence of the scarcity of hands it is mitigated by all the considerations which have been adduced as lessening that deficiency. It is certain, too, that the disparity in this respect between some of the most manufacturing parts of Europe and a large proportion of the United States is not nearly so great as is commonly imagined. It is also much less in regard to artificers and manufacturers than in regard to country laborers, and while a careful comparison shows that there is in this particular much exaggeration it is also evident that the effect of the degree of disparity, which does truly exist, is diminished in proportion to the use which can be made of machinery.

To illustrate this last idea, let it be supposed that the difference of price in two countries of a given quantity of manual labor requisite to the fabrication of a given article is as 10, and that some mechanic power is introduced into both countries which, performing half the necessary labor, leaves only half to be done by hand, it is evident that the difference in the cost of the fabrication of the article in question in the two countries, as far as it is connected with the price of labor, will be reduced from 10 to 5 in consequence of the introduction of that power.

This circumstance is worthy of the most particular attention. It diminishes immensely one of the objections most strenuously urged against the success of manufactures in the United States.

To procure all such machines as are known in any part of Europe can only require a proper provision and due pains. The knowledge of several of the most important of them is already possessed. The preparation of them here is, in most cases, practicable on nearly equal terms. As far as they depend on water some superiority of advantages may be claimed from the uncommon variety and greater cheapness of situations adapted to mill seats, with which different parts of the United States abound.

So far as the dearness of labor may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success. The undertaker can afford to pay the price.

There are grounds to conclude that undertakers of manufactures in this country can at this time afford to pay higher wages to the workmen they may employ than are paid to similar workmen in Europe. The prices of foreign fabrics in the markets of the United States, which will for a long time regulate the prices of the domestic ones, may be considered as compounded by the following ingredients: The first cost of materials, including the taxes, if any, which are paid upon them where they are made; the expense of grounds, buildings, machinery, and tools; the wages of the persons employed in the manufactory; the profits on the capital or stock employed; the commissions of agents to purchase them where they are made; the expense of transportation to the United States, including insurance and other incidental charges; the taxes or duties, if any, and fees of office, which are paid on their exportation; the taxes or duties and fees of office which are paid on their importation.

As to the first of these items—the cost of materials—the advantage upon the whole is at present on the side of the United States, and the difference in their favor must increase in proportion as a certain and extensive domestic demand shall induce the proprietors of land to devote more of their attention to the production of those materials. It ought not to escape observation, in a comparison on this point, that some of the principal manufacturing countries of Europe are much more dependent on foreign supply for the materials of their manufactures than would be the United States, who are capable of supplying themselves with a greater abundance as well as a greater variety of the requisite materials.

As to the second item—the expense of grounds, buildings, machinery, and tools—an equality at least may be assumed, since advantages in some particulars will counterbalance temporary disadvantages in others.

As to the third item, or article of wages, the comparison certainly turns against the United States, though, as before observed, not in so great a degree as commonly supposed.

The fourth item is alike applicable to the foreign and to the domestic manufacture. It is, indeed, more properly a result than a particular to be compared.

But, with respect to all the remaining items they are alone applicable to the foreign manufacture, and, in the strictest sense, extraordinaries, constituting a sum of extra charge on the foreign fabrics, which can not be estimated at less than from 15 to 30 per cent on the cost of it at the manufactory.

This sum of extra charge may confidently be regarded as more than a counterpoise for the real difference in the price of labor, and is a satisfactory proof that manufactures may prosper in defiance of it in the United States.

To the general allegation, connected with the circumstances of scarcity of hands and dearness of labor, that extensive manufactures can only grow out of a redundant or full population, it will be sufficient to answer generally that the fact has been otherwise. That the situation alleged to be an essential condition of success has not been that of several nations at periods when they had already attained to maturity in a variety of manufactures.

The supposed want of capital for the prosecution of manufactures in the United States is the most indefinite of the objections which are usually opposed to it.

It is very difficult to pronounce anything precise concerning the real extent of the moneyed capital of a country, and still more concerning the proportion which it bears to the objects that invite the employment of capital. It is not less difficult to pronounce how far the effect of any given quantity of money, as capital, or in other words, as a medium for circulating the industry and property of a nation, may be increased by the very circumstance of the additional motion which is given to it by new objects of employment. That effect, like the momentum of descending bodies, may not improperly be represented as in a compound ratio to mass and velocity. It seems pretty certain, that a given sum of money, in a situation in which the quick impulses of commercial activity were little felt, would appear inadequate to the circulation of as great a quantity of industry and property as in one in which their full influence was experienced.

It is not obvious why the same objection might not as well be made to external commerce as to manufactures, since it is manifest that our immense tracts of land, occupied and unoccupied, are capable of giving employment to more capital than is actually bestowed upon them. It is certain that the United States offer a vast field for the advantageous employment of capital; but it does not follow that there will not be found in one way or another a sufficient fund for the successful prosecution of any species of industry which is likely to prove truly beneficial.

The following considerations are of a nature to remove all inquietude on the score of want of capital:

The introduction of banks, as has been shown on another occasion, has a powerful tendency to extend the active capital of a country. Experience of the utility of these institutions is multiplying them in

the United States. It is probable that they will be established wherever they can exist with advantage; and wherever they can be supported, if administered with prudence, they will add new energies to all pecuniary operations.

The aid of foreign capital may safely and with considerable latitude be taken into calculation. Its instrumentality has been long experienced in our external commerce, and it has begun to be felt in various other modes. Not only our funds but our agriculture and other internal improvements have been animated by it. It has already, in a few instances, extended even to our manufactures.

It is a well-known fact that there are parts of Europe which have more capital than profitable domestic objects of employment. Hence, among other proofs, the large loans continually furnished to foreign States. And it is equally certain that the capital of other parts may find more profitable employment in the United States than at home. And, notwithstanding there are weighty inducements to prefer the employment of capital at home, even at less profit, to an investment of it abroad, though with greater gain, yet these inducements are overruled, either by a deficiency of employment or by a very material difference in profit. Both these causes operate to produce a transfer of foreign capital to the United States. It is certain that various objects in this country hold out advantages which are with difficulty to be equaled elsewhere, and under the increasingly favorable impressions which are entertained of our Government the attractions will become more and more strong. These impressions will prove a rich mine of prosperity to the country if they are confirmed and strengthened by the progress of our affairs. And to secure this advantage little more is now necessary than to foster industry and cultivate order and tranquillity at home and abroad.

It is not impossible that there may be persons disposed to look with a jealous eye on the introduction of foreign capital as if it were an instrument to deprive our own citizens of the profits of our own industry; but, perhaps, there never could be a more unreasonable jealousy. Instead of being viewed as a rival it ought to be considered as a most valuable auxiliary conducing to put in motion a greater quantity of productive labor and a greater portion of useful enterprise than could exist without it. It is at least evident that in a country situated like the United States, with an infinite fund of resources yet to be unfolded, every farthing of foreign capital which is laid out in internal meliorations and in industrious establishments of a permanent nature is a precious acquisition.

And whatever be the objects which originally attract foreign capital when once introduced, it may be directed toward any purpose of beneficial exertion which is desired. And to detain it among us, there can be no expedient so effectual as to enlarge the sphere in which it may be usefully employed, though introduced merely with views to speculation in the funds it may afterwards be rendered subservient to the interests of agriculture, commerce, and manufactures.

But the attraction of foreign capital for the direct purpose of manufactures ought not to be deemed a chimerical expectation. There are already examples of it as remarked in another place. And the examples, if the disposition be cultivated, can hardly fail to multiply. There are also instances of another kind which serve to

strengthen the expectation. Enterprises for improving the public communications by cutting canals, opening the obstructions in rivers, and erecting bridges, have received very material aid from the same source.

When the manufacturing capitalist of Europe shall advert to the many important advantages which have been intimated in the course of this report he can not but perceive very powerful inducements to a transfer of himself and his capital to the United States. Among the reflections which a most interesting peculiarity of situation is calculated to suggest, it can not escape his observation, as a circumstance of moment in the calculation that the progressive population and improvement of the United States insure a continually increasing domestic demand for the fabrics which he shall produce, not to be affected by any external casualties or vicissitudes.

But, while there are circumstances sufficiently strong to authorize a considerable degree of reliance on the aid of foreign capital, toward the attainment of the object in view, it is satisfactory to have good grounds of assurance, that there are domestic resources, of themselves adequate to it. It happens that there is a species of capital, actually existing with the United States, which relieves from all inquietude, on the score of want of capital. This is the funded debt.

The effect of a funded debt, as a species of capital, has been noticed upon a former occasion; but a more particular elucidation of the point seems to be required, by the stress which is here laid upon it. This shall, accordingly, be attempted.

Public funds answer the purpose of capital, from the estimation in which they are usually held by moneyed men; and, consequently, from the ease and dispatch with which they can be turned into money. This capacity of prompt convertibility into money, causes a transfer of stock to be, in a great number of cases, equivalent to a payment in coin. And where it does not happen to suit the party who is to receive, to accept a transfer of stock, the party who is to pay is never at a loss to find, elsewhere, a purchaser of his stock, who will furnish him, in lieu of it, with the coin of which he stands in need.

Hence, in a sound and settled state of public funds, a man possessed of a sum in them, can embrace any scheme of business which offers, with as much confidence as if he were possessed of an equal sum in coin.

This operation of public funds as capital is too obvious to be denied; but it is objected to the idea of their operating as an augmentation of the capital of the community, that they serve to occasion the destruction of some other capital to an equal amount.

The capital, which alone they can be supposed to destroy, must consist of the annual revenue, which is applied to the payment of interest on the debt and to the gradual redemption of the principal; the amount of the coin, which is employed in circulating the funds, or, in other words, in effecting the different alienations which they undergo.

But the following appears to be the true and accurate view of this matter:

First. As to the point of the annual revenue requisite for payment of interest and redemption of principal.

As a determinate proportion will tend to perspicuity in the reasoning, let it be supposed that the annual revenue to be applied, corresponding with the modification of the 6 per cent stock of the United States, is in the ratio of eight upon the hundred; that is, in the first instance, six on account of interest and two on account of principal.

Thus far, it is evident that the capital destroyed, to the capital created, would bear no greater proportion than 8 to 100. There would be withdrawn, from the total mass of other capitals a sum of $8 to be paid to the public creditor, while he would be possessed of a sum of $100, ready to be applied to any purpose, to be embarked in any enterprise which might appear to him eligible. Here, then, the augmentation of capital, or the excess of that which is produced beyond that which is destroyed, is equal to $92.

To this conclusion it may be objected that the sum of $8 is to be withdrawn annually until the whole hundred is extinguished, and it may be inferred that, in process of time, a capital will be destroyed equal to that which is at first created.

But is it nevertheless true that, during the whole of the interval between the creation of the capital of $100 and its reduction to a sum not greater than that of the annual revenue appropriated to its redemption, there will be a greater active capital in existence than if no debt had been contracted. The sum drawn from other capitals in any one year will not exceed $8; but there will be, at every instant of time during the whole period in question, a sum corresponding with so much of the principal as remains unredeemed in the hands of some person or other employed, or ready to be employed, in some profitable undertaking. There will, therefore, constantly be more capital in capacity to be employed than capital taken from employment. The excess, for the first year, has been stated to be $92; it will diminish yearly; but there always will be an excess, until the principal of the debt is brought to a level with the redeeming annuity; that is, in the case which has been assumed, by way of example, to $8. The reality of this excess becomes palpable, if it be supposed, as often happens, that the citizen of a foreign country imports into the United States $100 for the purchase of an equal sum of public debt—here is an absolute augmentation of the mass of circulating coin to the extent of $100. At the end of a year the foreigner is presumed to draw back $8, on account of his principal and interest, but he still leaves $92 of his original deposit in circulation, as he, in like manner, leaves $84 at the end of the second year, drawing back then, also, the annuity of $8. And thus the matter proceeds: The capital left in circulation diminishing in each year, and coming nearer to the level of the annuity drawn back. There are, however, some differences in the ultimate operation of the part of the debt which is purchased by foreigners and that which remains in the hands of citizens. But the general effect in each case, though in different degrees, is to add to the active capital of the country.

Hitherto the reasoning has proceeded on a concession of the position that there is a destruction of some other capital to the extent of the annuity appropriated to the payment of the interest and the redemption of the principal of the debt; but in this too much has been conceded. There is, at most, a temporary transfer of some other capital to the amount of the annuity from those who pay to the creditor who

receives, which he again restores to the circulation to resume the offices of a capital. This he does either immediately, by employing the money in some branch of industry, or mediately, by lending it to some other person who does so employ it, or by spending it on his own maintenance. In either supposition there is no destruction of capital; there is nothing more than a suspension of its own motion for a time; that is, while it is passing from the hands of those who pay into the public coffers, and thence, through the public creditor, into some other channel of circulation. When the payments of interest are periodical and quick and made by the instrumentality of banks the diversion or suspension of capital may almost be denominated momentary. Hence the deduction on this account is far less than it at first sight appears to be.

There is evidently, as far as regards the annuity, no destruction nor transfer of any other capital than that portion of the income of each individual which goes to make up the annuity. The land which furnishes the farmer with the sum which he is to contribute remains the same; and the like may be observed of other capitals. Indeed, as far as the tax, which is the object of contribution (as frequently happens when it does not oppress by its weight), may have been a motive to greater exertion in any occupation, it may even serve to increase the contributory capital. This idea is not without importance in the general view of the subject.

It remains to be seen what further deduction ought to be made from the capital which is created by the existence of the debt on account of the coin which is employed in its circulation. This is susceptible of much less precise calculation than the article which has been just discussed. It is impossible to say what proportion of coin is necessary to carry on the alienations which any species of property usually undergoes. The quality, indeed, varies according to circumstances. But it may still, without hesitation, be pronounced, from the quickness of the rotation, or, rather, of the transitions, that the medium of circulation always bears but a small proportion to the amount of the property circulated. And it is thence satisfactorily deducible that the coin employed in the negotiations of the funds, and which serves to give them activity, as capital, is incomparably less than the sum of the debt negotiated for the purpose of business.

It ought not, however, to be omitted that the negotiation of the funds becomes itself a distinct business, which employs, and, by employing, diverts, a portion of the circulating coin from other pursuits. But, making due allowance for this circumstance, there is no reason to conclude that the effect of the diversion of coin, in the whole operation, bears any considerable proportion to the amount of the capital to which it gives activity. The sum of the debt in circulation is continually at the command of any useful enterprise; the coin itself which circulates it is never more than momentarily suspended from its ordinary functions. It experiences an incessant and rapid flux and reflux to and from the channels of industry to those of speculations in the funds.

There are strong circumstances in confirmation of this theory. The force of moneyed capital which has been displayed in Great Britain and the height to which every species of industry has grown up under it defy a solution from the quantity of coin which that

Kingdom has ever possessed. Accordingly, it has been, coeval with its funding system, the prevailing opinion of the men of business, and of the generality of the most sagacious theorists of that country that the operation of the public funds, as capital, has contributed to the effect in question. Among ourselves appearances, thus far, favor the same conclusion. Industry, in general, seems to have been reanimated. There are symptoms indicating an extension of our commerce. Our navigation has certainly of late had a considerable spring; and there appears to be, in many parts of the Union, a command of capital which, till lately, since the Revolution, at least, was unknown. But it is at the same time to be acknowledged that other circumstances have occurred (and in a great degree) in producing the present state of things, and that the appearances are not yet sufficiently decisive to be entirely relied upon.

In the question under discussion it is important to distinguish between an absolute increase of capital or an accession of real wealth and an artificial increase of capital as an engine of business or as an instrument of industry and commerce. In the first sense a funded debt has no pretensions to being deemed an increase of capital; in the last, it has pretentions which are not easy to be controverted. Of a similar nature is bank credit, and, in an inferior degree, every species of private credit.

But though a funded debt is not, in the first instance, an absolute increase of capital or an augmentation of real wealth, yet by serving as a new power in the operations of industry it has, within certain bounds, a tendency to increase the real wealth of a community, in like manner as money borrowed by a thrifty farmer, to be laid out in the improvement of his farm, may in the end add to his stock of real riches.

There are respectable individuals who from a just aversion to an accumulation of public debt are unwilling to concede to it any kind of utility; who can discern no good to alleviate the ill with which they suppose it pregnant; who can not be persuaded that it ought in any sense to be viewed as an increase of capital, lest it should be inferred that the more the debt, the more capital; the greater the burdens, the greater the blessings of the community.

But it interests the public councils to estimate every object as it truly is; to appreciate how far the good in any measure is compensated by the ill, or the ill by the good; either of them is seldom unmixed.

Neither will it follow that an accumulation of debt is desirable, because a certain degree of it operates as capital. There may be a plethora in the political as in the natural body; there may be a state of things in which any such artificial capital is unnecessary. The debt, too, may be swelled to such a size as that the greatest part of it may cease to be useful as capital, serving only to pamper the dissipation of idle and dissolute individuals; as that the sum required to pay the interest upon it may become oppressive and beyond the means which a government can employ consistently with its tranquility to raise them; as that the resources of taxation to face the debt may have been strained too far to admit of extensions adequate to exigencies which regard the public safety.

Where this critical point is can not be pronounced, but it is impossible to believe that there is not such a point.

And as the vicissitudes of nations beget a perpetual tendency to the accumulation of debt, there ought to be in every government a perpetual, anxious, and unceasing effort to reduce that which at any time exists as fast as shall be practicable consistently with integrity and good faith.

Reasonings on a subject comprehending ideas so abstract and complex, so little reducible to a precise calculatio as those which enter into the question just discussed, are always attended with a danger of running into fallacies. Due allowance ought therefore to be made for this possibility; but as far as the nature of this subject admits of it there appears to be satisfactory ground for a belief that the public funds operate as a resource of capital to the citizens of the United States; and if they are a resource at all it is an extensive one.

To all the arguments which are brought to evince the impracticability of success in manufacturing establishments in the United States it might have been a sufficient answer to have referred to the experience of what has been already done. It is certain that several important branches have grown up and flourished with a rapidity which surprises, affording an encouraging assurance of success in future attempts. Of these it may not be improper to enumerate the most considerable:

1. *Of skins.*—Tanned and tawed leather, dressed skins, shoes, boots, and slippers, harness and saddlery of all kinds, portmanteaux and trunks, leather breeches, gloves, muffs and tippets, parchment, and glue.

2. *Of iron.*—Bar and sheet iron, steel, nail rods and nails, implements of husbandry, stoves, pots, and other household utensils, the steel and iron work of carriages, and for shipbuilding, anchors, scale beams and weights, and various tools of artificers, arms of different kinds; though the manufacture of these last has of late diminished for want of demand.

3. *Of wood.*—Ships, cabinet wares, and turnery, wool and cotton cards, and other machinery for manufactures and husbandry, mathematical instruments, coopers' wares of every kind.

4. *Of flax and hemp.*—Cables, sailcloth, cordage, twine, and pack thread.

5. Bricks and coarse tiles, and potters' wares.

6. Ardent spirits and malt liquors.

7. Writing and printing paper, sheathing and wrapping paper, pasteboards, fullers' or press papers, paper hangings.

8. Hats of fur and wool, and mixtures of both; women's stuff and silk shoes.

9. Refined sugars.

10. Oils of animals, and seeds, soap, spermaceti and tallow candles.

11. Copper and brass wires, particularly utensils for distillers, sugar refiners, and brewers; andirons and other articles for household use, philosophical apparatus.

12. Tinwares for most purposes of ordinary use.

13. Carriages of all kinds.

14. Snuff, chewing and smoking tobacco.

15. Starch and hair powder.

16. Lampblack, and other painters' colors.
17. Gunpowder.

Besides manufactories of these articles, which are carried on as regular trades, and have attained to a considerable degree of maturity, there is a vast scene of household manufacturing which contributes more largely to the supply of the community than could be imagined without having made it an object of particular inquiry. This observation is the pleasing result of the investigation to which the subject of this report has led and is applicable as well to the Southern as to the Middle and Northern States. Great quantities of coarse cloths, coatings, serges, and flannels, linsey-woolseys, hosiery of wool, cotton, and thread, coarse fustians, jeans, and muslins, checked and striped cotton and linen goods, bedticks, coverlets and counterpanes, tow linens, coarse shirtings, sheetings, toweling, and table linen, and various mixtures of wool and cotton and of cotton and flax are made in the household way, and in many instances to an extent not only sufficient for the supply of the families in which they are made, but for sale, and even in some cases for exportation. It is computed in a number of districts that two-thirds, three-fourths, and even four-fifths of all the clothing of the inhabitants are made by themselves. The importance of so great a progress as appears to have been made in family manufactures within a few years, both in a moral and political view, renders the fact highly interesting.

Neither does the above enumeration comprehend all the articles that are manufactured as regular trades. Many others occur which are equally well established, but which not being of equal importance have been omitted. And there are many attempts, still in their infancy, which though attended with very favorable appearances could not have been properly comprised in an enumeration of manufactories already established. There are other articles also of great importance, which, though strictly speaking, manufactures, are omitted as being immediately connected with husbandry: Such are flour, pot and pearl ashes, pitch, tar, turpentine, and the like.

There remains to be noticed an objection to the encouragement of manufactures of a nature different from those which question the probability of success. This is derived from its supposed tendency to give a monopoly of advantages to particular classes at the expense of the rest of the community, who, it is affirmed, would be able to procure the requisite supplies of manufactured articles on better terms from foreigners than from our own citizens, and who, it is alleged, are reduced to necessity of paying an enhanced price for whatever they want by every measure which obstructs the free competition of foreign commodities.

It is not an unreasonable supposition that measures which serve to abridge the free competition of foreign articles have a tendency to occasion an enhancement of prices; and it is not to be denied that such is the effect in a number of cases; but the fact does not uniformly correspond with the theory. A reduction of prices has, in several instances, immediately succeeded the establishment of a domestic manufacture. Whether it be that foreign manufacturers endeavor to supplant, by underselling our own, or whatever else be the cause, the effect has been such as is stated, and the reverse of what might have been expected.

But though it were true that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics was an increase of price, it is universally true that the contrary is the ultimate effect with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded, and accordingly seldom never fails to be sold cheaper, in process of time, than was the foreign article for which it is a substitute. The internal competition which takes place, soon does away everything like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed. This accords with the reason of the thing and with experience.

Whence it follows, that it is the interest of a community, with a view to eventual and permanent economy, to encourage the growth of manufactures. In a national view, a temporary enhancement of price must always be well compensated by a permanent reduction of it.

It is a reflection which may with propriety be indulged here that this eventual diminution of the prices of manufactured articles, which is the result of internal manufacturing establishments, has a direct and very important tendency to benefit agriculture. It enables the farmer to procure, with a smaller quantity of his labor, the manufactured produce of which he stands in need, and consequently increases the value of his income and property.

The objections which are commonly made to the expediency of encouraging, and to the probability of succeeding in manufacturing pursuits in the United States, having now been discussed, the considerations, which have appeared in the course of the discussion, recommending that species of industry to the patronage of the Government, will be materially strengthened by a few general and some particular topics, which have been naturally reserved for subsequent notice.

1. There seems to be a moral certainty that the trade of a country which is both manufacturing and agricultural will be more lucrative and prosperous than that of a country which is merely agricultural.

One reason for this is found in that general effort of nations (which has been already mentioned) to procure from their own soils the articles of prime necessity requisite to their own consumption and use, and which serves to render their demand for a foreign supply of such articles, in a great degree, occasional and contingent. Hence while the necessities of nations exclusively devoted to agriculture for the fabrics of manufacturing States are constant and regular, the wants of the latter for the products of the former are liable to very considerable fluctuations and interruptions. The great inequalities resulting from difference of seasons have been elsewhere remarked. This uniformity of demand on one side and unsteadiness of it on the other must necessarily have a tendency to cause the general course of the exchange of commodities between the parties to turn to the disadvantage of the merely agricultural States. Peculiarity of situation, a climate and soil adapted to the production of peculiar commodities, may sometimes contradict the rule, but there is every reason to believe that it will be found in the main a just one.

Another circumstance which gives a superiority of commercial advantages to States that manufacture as well as cultivate consists in the more numerous attractions which a more diversified market offers to foreign customers and in the greater scope which it affords to mercantile enterprise. It is a position of indisputable truth in commerce depending, too, on very obvious reasons, that the greatest resort will ever be to those marts where commodities, while equally abundant, are most various. Each difference of kind holds out an additional inducement; and it is a position not less clear that the field of enterprise must be enlarged to the merchants of a country in proportion to the variety as well as the abundance of commodities which they find at home, for exportation to foreign markets.

A third circumstance, perhaps not inferior to either of the other two, conferring the superiority which has been stated, has relation to the stagnations of demand for certain commodities, which, at some time or other, interfere more or less with the sale of all. The nation which can bring to market but few articles is likely to be more quickly and sensibly affected by such stagnations than one which is always possessed of a great variety of commodities; the former frequently finds too great a proportion of its stock of materials for sale or exchange lying on hand or is obliged to make injurious sacrifices to supply its wants of foreign articles which are numerous and urgent in proportion to the smallness of the number of its own. The latter commonly finds itself indemnified by the high prices of some articles for the low prices of others, and the prompt and advantageous sale of those articles which are in demand enables its merchants the better to wait for a favorable change in respect to those which are not. There is ground to believe that a difference of situation in this particular has immensely different effects upon the wealth and prosperity of nations.

From these circumstances, collectively, two important inferences are to be drawn: One, that there is always a higher probability of a favorable balance of trade, in regard to countries in which manufactures, founded on the basis of a thriving agriculture, flourish, than in regard to those which are confined wholly, or almost wholly, to agriculture; the other (which is also a consequence of the first) that countries of the former description are likely to possess more pecuniary wealth, or money, than those of the latter.

Facts appear to correspond with this conclusion. The importations of manufactured supplies seem invariably to drain the merely agricultural people of their wealth. Let the situation of the manufacturing countries of Europe be compared, in this particular, with that of countries which only cultivate and the disparity will be striking. Other cases, it is true, help to account for this disparity between some of them; and among these causes, the relative state of agriculture; but between others of them, the most prominent circumstances of dissimilitude arises from the comparative state of manufactures. In corroboration of the same idea, it ought not to escape remark that the West India Islands, the soils of which are the most fertile and the nation which, in the greatest degree, supplies the rest of the world with the precious metals, exchange to a loss with almost every other country.

As far as experience, at home, may guide, it will lead to the same conclusion. Previous to the Revolution, the quantity of coin possessed by the Colonies which now compose the United States appeared

to be inadequate to their circulation; and their debt to Great Britain was progressive. Since the Revolution, the States in which manufactures have most increased, have recovered fastest from the injuries of the late war, and abound most in pecuniary resources.

It ought to be admitted, however, in this, as in the preceding case, that causes irrelative to the state of manufactures, account, in a degree, for the phenomena remarked. The continual progress of new settlements has a natural tendency to occasion an unfavorable balance of trade; though it indemnifies for the inconvenience by that increase of the national capital which flows from the conversion of waste into improved lands; and the different degrees of external commerce which are carried on by the different States, may make material differences in the comparative state of their wealth. The first circumstance has reference to the deficiency of coin and the increase of debt previous to the Revolution; the last, to the advantages which the most manufacturing States appear to have enjoyed over the others since the termination of the late war.

But the uniform appearance of an abundance of specie, as the concomitant of a flourishing state of manufactures, and of the reverse, where they do not prevail, afford a strong presumption of their favorable operation upon the wealth of a country.

Not only the wealth, but the independence and security of a country, appear to be materially connected with the prosperity of manufactures. Every nation, with a view to those great objects, ought to endeavor to possess within itself all the essentials of national supply. These comprise the means of subsistence, habitation, clothing, and defense.

The possession of these is necessary to the perfection of the body politic; to the safety as well as to the welfare of the society. The want of either is the want of an important organ of political life and motion, and in the various crises which await a state it must severely feel the effects of any such deficiency. The extreme embarrassments of the United States during the late war from an incapacity of supplying themselves are still matter of keen recollection; a future war might be expected again to exemplify the mischiefs and dangers of a situation to which that incapacity is still in too great a degree applicable unless changed by timely and vigorous exertion. To effect this change as fast as shall be prudent merits all the attention and all the zeal of our public councils; 'tis the next great work to be accomplished.

The want of a navy to protect our external commerce as long as it shall continue must render it a peculiarly precarious reliance for the supply of essential articles and must serve to strengthen prodigiously the arguments in favor of manufactures.

To these general considerations are added some of a more particular nature.

Our distance from Europe, the great fountain of manufactured supply, subjects us in the existing state of things to inconvenience and loss in two ways.

The bulkiness of those commodities which are the chief productions of the soil necessarily imposes very heavy charges on their transportation to distant markets. These charges, in the cases in

which the nations to whom our products are sent maintain a competition in the supply of their own markets, principally fall upon us and form material deductions from the primitive value of the articles furnished. The charges on manufactured supplies brought from Europe are greatly enhanced by the same circumstances of distance. These charges, again, in the cases in which our own industry maintains no competition in our own markets, also principally fall upon us and are an additional cause of extraordinary deduction from the primitive value of our own products, these being the materials of exchange for the foreign fabrics which we consume.

The equality and moderation of individual property and the growing settlements of new districts occasion in this country an unusual demand for coarse manufactures, the charges of which, being greater in proportion to their greater bulk, augment the disadvantage which has just been described.

As in most countries domestic supplies maintain a very considerable competition with such foreign productions of the soil as are imported for sale, if the extensive establishment of manufactories in the United States does not create a similar competition in respect to manufactured articles it appears to be clearly deducible from the considerations which have been mentioned that they must sustain a double loss in their exchanges with foreign nations strongly conducive to an unfavorable balance of trade and very prejudicial to their interests.

These disadvantages press with no small weight on the landed interest of the country. In seasons of peace they cause a serious deduction from the intrinsic value of the products of the soil. In the time of a war which should either involve ourselves or another nation possessing a considerable share of our foreign trade, the charges on the transportation of our commodities, bulky as most of them are, could hardly fail to prove a grievous burden to the farmer while obliged to depend in so great a degree, as he now does, upon foreign markets for the vent of the surplus of his labor.

As far as the prosperity of the fisheries of the United States is impeded by the want of an adequate market, there arises another special reason for desiring the extension of manufactures. Besides the fish, which in many places would be likely to make a part of the subsistence of the persons employed, it is known that the oils, bones, and skins of marine animals are of extensive use in various manufactures. Hence the prospect of an additional demand for the produce of the fisheries.

One more point of view only remains in which to consider the expediency of encouraging manufactures in the United States.

It is not uncommon to meet with an opinion that though the promoting of manufactures may be the interest of a part of the Union, it is contrary to that of another part. The northern and southern regions are sometimes represented as having adverse interests in this respect. Those are called manufacturing, these agricultural States, and a species of opposition is imagined to subsist between the manufacturing and agricultural interests.

This idea of an opposition between those two interests is the common error of the early periods of every country, but experience gradually dissipates it. Indeed, they are perceived so often to succor and befriend each other that they come at length to be considered as

one—a supposition which has been frequently abused and is not universally true. Particular encouragements of particular manufactures may be of a nature to sacrifice the interests of landholders to those of manufacturers; but it is nevertheless a maxim, well established by experience and generally acknowledged where there has been sufficient experience, that the aggregate prosperity of manufactures and the aggregate prosperity of agriculture are intimately connected. In the course of the discussion which has had place, various weighty considerations have been adduced operating in support of that maxim. Perhaps the superior steadiness of the demand of a domestic market for the surplus produce of the soil is alone a convincing argument of its truth.

Ideas of a contrariety of interest between the northern and southern regions of the Union are, in the main, as unfounded as they are mischievous. The diversity of circumstances on which such contrariety is usually predicated authorizes a directly contrary conclusion. Mutual wants constitute one of the strongest links of political connection, and the extent of these bears a natural proportion to the diversity in the means of mutual supply.

Suggestions of an opposite complexion are ever to be deplored as unfriendly to the steady pursuit of one great common cause and to the perfect harmony of all the parts.

In proportion as the mind is accustomed to trace the intimate connection of interest which subsists between all the parts of a society united under the same government, the infinite variety of channels will serve to circulate the prosperity of each, to and through the rest—in that proportion will it be little apt to be disturbed by solicitudes and apprehensions which originate in local discriminations.

It is a truth, as important as it is agreeable, and one to which it is not easy to imagine exceptions, that everything tending to establish substantial and permanent order in the affairs of a country, to increase the total mass of industry and opulence, is ultimately beneficial to every part of it. On the credit of this great truth an acquiescence may safely be accorded from every quarter to all institutions and arrangements which promise a confirmation of public order and an augmentation of national resource.

But there are more particular considerations which serve to fortify the idea that the encouragement of manufactures is the interest of all parts of the Union. If the Northern and Middle States should be the principal scenes of such establishments, they would immediately benefit the more Southern, by creating a demand for productions, some of which they have in common with the other States, and others, which are either peculiar to them or more abundant or of better quality, than elsewhere. These productions, principally, are timber, flax, hemp, cotton, wool, raw silk, indigo, iron, lead, furs, hides, skins, and coals; of these articles, cotton and indigo are peculiar to the Southern States, as are, hitherto, lead and coal; flax and hemp are, or may be, raised in greater abundance there than in the more Northern States; and the wool of Virginia is said to be of better quality than that of any other State—a circumstance rendered the more probable, by the reflection that Virginia embraces the same latitudes with the finest wool countries of Europe. The climate of the South is also better adapted to the production of silk.

The extensive cultivation of cotton can, perhaps, hardly be expected but from the previous establishment of domestic manufactories of the article, and the surest encouragement and vent for the others would result from similar establishments in respect to them.

If, then, it satisfactorily appears that it is the interest of the United States generally to encourage manufactures, it merits particular attention that there are circumstances which render the present a critical moment for entering with zeal upon the important business. The effort can not fail to be materially seconded by a considerable and increasing influx of money in consequence of foreign speculations in the funds and by the disorders which exist in different parts of Europe.

The first circumstance not only facilitates the execution of manufacturing enterprises, but it indicates them as a necessary means to turn the thing itself to advantage and to prevent its being eventually an evil. If useful employment be not found for the money of foreigners, brought to the country to be invested in purchases of the public debt, it will quickly be reexported to defray the expense of an extraordinary consumption of foreign luxuries, and distressing drains of our specie may hereafter be experienced to pay the interest and redeem the principal of the purchased debt.

This useful employment, too, ought to be of a nature to produce solid and permanent improvements. If the money merely serves to give a temporary spring to foreign commerce, as it can not procure new and lasting outlets for the products of the country, there will be no real or durable advantage gained. As far as it shall find its way in agricultural meliorations, in opening canals, and in similar improvements, it will be productive of substantial utility. But there is reason to doubt whether in such channels it is likely to find sufficient employment, and still more whether many of those who possess it would be as readily attracted to objects of this nature as to manufacturing pursuits, which bear greater analogy to those to which they are accustomed and to the spirit generated by them.

To open the one field as well as the other will at least secure a better prospect of useful employment for whatever accession of money there has been or may be.

There is at the present juncture a certain fermentation of mind, a certain activity of speculation and enterprise, which if properly directed may be made subservient to useful purposes, but which if left entirely to itself may be attended with pernicious effects. The disturbed state of Europe, inclining its citizens to emigration, the requisite workmen will be more easily acquired than at any other time; and the effect of multiplying the opportunities of employment to those who emigrate may be an increase of the number and extent of valuable acquisitions to the population, arts, and industry of the country.

To find pleasure in the calamities of other nations would be criminal, but to benefit ourselves by opening an asylum to those who suffer in consequence of them is as justifiable as it is politic.

A full view having now been taken of the inducements to the promotion of manufactures in the United States, accompanied with an examination of the principal objections which are commonly urged in opposition, it is proper in the next place to consider the means by which it may be effected as introductory to a specification of the

objects, which in the present state of things appear the most fit to be encouraged and of the particular measure which it may be advisable to adopt in respect to each.

In order to a better judgment of the means proper to be resorted to by the United States, it will be of use to advert to those which have been employed with success in other countries. The principal of these are:

1. PROTECTING DUTIES OR DUTIES ON THOSE FOREIGN ARTICLES WHICH ARE THE RIVALS OF THE DOMESTIC ONES INTENDED TO BE ENCOURAGED.

Duties of this nature evidently amount to a virtual bounty on the domestic fabrics, since by enhancing the charges on foreign articles they enable the national manufacturers to undersell all their foreign competitors. The propriety of this species of encouragement need not be dwelt upon, as it is not only a clear result from the numerous topics which have been suggested but is sanctioned by the laws of the United States in a variety of instances. It has the additional recommendation of being a resource of revenue. Indeed, all the duties imposed on imported articles, though with an exclusive view to revenue, have the effect in contemplation and except where they fall on raw materials wear a beneficent aspect toward the manuufacturers of the country.

2. PROHIBITIONS OF RIVAL ARTICLES OR DUTIES EQUIVALENT TO PROHIBITIONS.

This is another and an efficacious means of encouraging national manufactures; but in general it is only fit to be employed when a manufacture has made such progress and is in so many hands as to insure a due competition and an adequate supply on reasonable terms. Of duties equivalent to prohibitions there are examples in the laws of the United States; and there are other cases to which the principle may be advantageously extended, but they are not numerous.

Considering a monopoly of the domestic market to its own manufacturers as the reigning policy of manufacturing nations, a similar policy on the part of the United States in every proper instance is dictated, it might almost be said, by the principles of distributive justice, certainly by the duty of endeavoring to secure to their own citizens a reciprocity of advantages.

3. PROHIBITIONS OF THE EXPORTATION OF THE MATERIALS OF MANUFACTURERS.

The desire of securing a cheap and plentiful supply for the national workmen, and where the article is either peculiar to the country, or of peculiar quality there, the jealousy of enabling foreign workmen to rival those of the nation with its own materials, are the leading motives to this species of regulation. It ought not to be affirmed that it is in no instance proper, but is certainly one which ought to be adopted with great circumspection, and only in very plain cases. It is seen at once that its immediate operation is to abridge the demand

and keep down the price of the produce of some other branch of industry—generally speaking, of agriculture—to the prejudice of those who carry it on, and though, if it be really essential to the prosperity of any very important national manufacture, it may happen that those who are injured in the first instance may be eventually indemnified by the superior steadiness of an extensive domestic market, depending on that prosperity; yet in a matter in which there is so much room for nice and difficult combinations, in which such opposite considerations combat each other, prudence seems to dictate that the expedient in question ought to be indulged with a sparing hand.

4. Pecuniary Bounties.

This has been found one of the most efficacious means of encouraging manufactures, and is in some views the best. Though it has not yet been practiced upon by the Government of the United States (unless the allowance on the exportation of dried and pickled fish and salted meat could be considered as a bounty), and though it is less favored by public opinion than some other modes, its advantages are these:

(1) It is a species of encouragement more positive and direct than any other, and for that very reason has a more immediate tendency to stimulate and uphold new enterprises, increasing the chances of profit and diminishing the risks of loss in the first attempts.

(2) It avoids the inconvenience of a temporary augmentation of price which is incident to some other modes, or it produces it to a less degree, either by making no addition to the charges on the rival foreign articles, as in the case of protecting duties, or by making a smaller addition. The first happens when the fund for the bounty is derived from a different object (which may or may not increase the price of some other article, according to the nature of that object), the second when the fund is derived from the same or a similar object of foreign manufacture. One per cent duty on the foreign article converted into a bounty on the domestic will have an equal effect with a duty of 2 per cent exclusive of such bounty, and the price of the foreign commodity is liable to be raised in the one case in the proportion of 1 per cent; in the other, in that of 2 per cent. Indeed, the bounty, when drawn from another source, is calculated to promote a reduction of price because, without laying any new charge on the foreign article, it serves to introduce a competition with it and to increase the total quantity of the article in the market.

(3) Bounties have not, like high protecting duties, a tendency to produce scarcity. An increase of price is not always the immediate, though where the progress of a domestic manufacture does not counteract a rise it is commonly the ultimate, effect of an additional duty. In the interval between the laying of the duty and the proportional increase of price it may discourage importation by interfering with the profits to be expected from the sale of the article.

(4) Bounties are sometimes not only the best but the only proper expedient for uniting the encouragement of a new object of agriculture with that of a new object of manufacture. It is the interest of the farmer to have the production of the raw material promoted by counteracting the interference of the foreign material of the same kind. It is the interest of the manufacturer to have the material abundant and cheap. If, prior to the domestic production of the

material in sufficient quantity to supply the manufacturer on good terms, a duty be laid upon the importation of it from abroad with a view to promote the raising of it at home, the interest both of the farmer and manufacturer will be disserved. By either destroying the requisite supply or raising the price of the article beyond what can be afforded to be given for it by the conductor of an infant manufacture, it is abandoned or fails, and there being no domestic manufactories to create a demand for the raw material which is raised by the farmer it is in vain that the competition of the like foreign article may have been destroyed.

It can not escape notice that a duty upon the importation of an article can not otherwise aid the domestic production of it than by giving the latter greater advantages in the home market. It can have no influence upon the advantageous sale of the article produced in foreign markets—no tendency, therefore, to promote its exportation.

The true way to conciliate these two interests is to lay a duty on foreign manufactures of the material, the growth of which is desired to be encouraged, and to apply the produce of that duty, by way of bounty, either upon the production of the material itself or upon its manufacture at home, or upon both. In this disposition of the thing the manufacturer commences his enterprise under every advantage which is attainable, as to quantity or price of the raw material; and the farmer, if the bounty be immediately to him, is enabled by it to enter into a successful competition with the foreign material. If the bounty be to the manufacturer on so much of the domestic material as he consumes, the operation is nearly the same; he has a motive of interest to prefer the domestic commodity, if of equal quality, even at a higher price, than the foreign so long as the difference of price is anything short of the bounty which is allowed upon the article.

Except the simple and ordinary kinds of household manufacture, or those for which there are very commanding local advantages, pecuniary bounties are in most cases indispensable to the introduction of a new branch. A stimulus and a support not less powerful and direct is, generally speaking, essential to the overcoming of the obstacles which arise from the competitions of superior skill and maturity elsewhere. Bounties are especially essential in regard to articles upon which those foreigners who have been accustomed to supply a country are in the practice of granting them.

The continuance of bounties on manufactures long established must almost always be of questionable policy, because a presumption would arise in every such case that there were natural and inherent impediments to success. But, in new undertakings, they are as justifiable as they are oftentimes necessary.

There is a degree of prejudice against bounties, from an appearance of giving away the public money without an immediate consideration, and from a supposition that they serve to enrich particular classes at the expense of the community.

But neither of these sources of dislike will bear a serious examination. There is no purpose to which public money can be more beneficially applied than to the acquisition of a new and useful branch of industry, no consideration more valuable than a permanent addition to the general stock of productive labor.

As to the second source of objection, it equally lies against the other modes of encouragement, which are admitted to be eligible. As often as a duty upon a foreign article makes an addition to its price, it causes an extra expense to the community for the benefit of the domestic manufacturer. A bounty does no more. But it is the interest of the society in each case to submit to the temporary expense—which is more than compensated by an increase of industry and wealth; by an augmentation of resources and independence; and by the circumstance of eventual cheapness, which has been noticed in another place.

It would deserve attention, however, in the employment of this species of encouragement in the United States, as a reason for moderating the degree of it in the instances in which it might be deemed eligible, that the great distance of this country from Europe imposes very heavy charges on all the fabrics which are brought from thence, amounting to from 15 to 30 per cent on their value, according to their bulk.

A question has been made concerning the constitutional right of the Government of the United States to apply this species of encouragement, but there is certainly no good foundation for such a question. The National Legislature has express authority "to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defense and general welfare," with no other qualification than that "all duties, imposts, and excises shall be uniform throughout the United States; that no capitation or other direct tax shall be laid, unless in proportion to numbers, ascertained by a census or enumeration, taken on the principles prescribed in the Constitution," and that "no tax or duty shall be laid on articles exported from any State."

These three qualifications excepted, the power to raise money is plenary and indefinite, and the objects to which it may be appropriated are no less comprehensive than the payment of the public debts and the providing for the common defense and general welfare. The terms "general welfare" were doubtless intended to signify more than was expressed or imported in those which preceded; otherwise, numerous exigencies incident to the affairs of a nation would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union to appropriate its revenues should have been restricted within narrower limits than the "general welfare"; and because this necessarily embraces a vast variety of particulars which are susceptible neither of specification nor definition.

It is, therefore, of necessity, left to the discretion of the National Legislature to pronounce upon the objects which concern the general welfare, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for doubt that whatever concerns the general interests of learning, of agriculture, of manufactures, and of commerce is within the sphere of the national councils, as far as regards an application of money.

The only qualification of the generality of the phrase in question which seems to be admissible is this: That the object to which an appropriation of money is to be made be general and not local; its operation extending, in fact or by possibility, throughout the Union and not being confined to a particular spot.

No objection ought to arise to this construction from a supposition that it would imply a power to do whatever else should appear to Congress conducive to the general welfare. A power to appropriate money with this latitude, which is granted, too, in express terms, would not carry a power to do any other thing not authorized in the Constitution, either expressly or by fair implication.

5. Premiums.

These are of a nature allied to bounties, though distinguishable from them in some important features.

Bounties are applicable to the whole quantity of an article produced or manufactured or exported and involve a correspondent expense. Premiums serve to reward some particular excellence or superiority, some extraordinary exertion or skill, and are dispensed only in a small number of cases. But their effect is to stimulate general effort; contrived so as to be both honorary and lucrative, they address themselves to different passions—touching the chords as well of emulation as of interest. They are, accordingly, a very economical means of exciting the enterprise of a whole community.

There are various societies in different countries whose object is the dispensation of premiums for the encouragement of agriculture, arts, manufactures, and commerce; and though they are, for the most part, voluntary associations, with comparatively slender funds, their utility has been immense. Much has been done by this means in Great Britain. Scotland, in particular, owes materially to it a prodigious amelioration of condition. From a similar establishment in the United States, supplied and supported by the Government of the Union, vast benefits might reasonably be expected. Some further ideas on this head shall accordingly be submitted in the conclusion of this report.

6. The Exemption of the Materials of Manufacture From Duty.

The policy of that exemption, as a general rule, particularly in reference to new establishments, is obvious. It can hardly ever be advisable to add the obstructions of fiscal burdens to the difficulties which naturally embarrass a new manufacture; and where it is matured and in condition to become an object of revenue, it is, generally speaking, better than the fabric, than the material, should be the subject of taxation. Ideas of proportion between the quantum of the tax and the value of the article can be more easily adjusted in the former than in the latter case. An argument for exemptions of this kind in the United States is to be derived from the practice, as far as their necessities have permitted, of those nations whom we are to meet as competitors in our own and in foreign markets.

There are, however, exceptions to it, of which some examples will be given under the next head.

The laws of the Union afford instances of the observance of this policy here recommended, but it will probably be found advisable to extend it to some other cases. Of a nature bearing some affinity to that policy is the regulation which exempts from duty the tools and implements, as well as the books, clothes, and household furniture, of

foreign artists who come to reside in the United States—an advantage already secured to them by the laws of the Union and which it is in every view proper to continue.

7. Drawbacks of the Duties Which are Imposed on the Materials of Manufactures.

It has already been observed, as a general rule, that duties on those materials ought, with certain exceptions, to be forborne. Of these exceptions three cases occur which may serve as examples. One, where the material itself is an object of general or extensive consumption and a fit and productive source of revenue. Another, where a manufacture of a simpler kind, the competition of which, with a like domestic article, is desired to be restrained, partakes of the nature of a raw material from being capable, by a further process, to be converted into a manufacture of a different kind, the introduction or growth of which is desired to be encouraged. A third, where the material itself is a production of the country and in sufficient abundance to furnish a cheap and plentiful supply to the national manufacturers.

Under the first description comes the article of molasses. It is not only a fair object of revenue, but, being a sweet, it is just that the consumers of it should pay a duty as well as the consumers of sugar.

Cottons and linens in their white state fall under the second description. A duty upon such as are imported is proper to promote the domestic manufacture of similar articles in the same State. A drawback of that duty is proper to encourage the printing and staining at home of those which are brought from abroad. When the first of these manufactures has attained sufficient maturity in a country to furnish a full supply for the second the utility of the drawback ceases.

The article of hemp either now does, or may be expected soon to, exemplify the third case in the United States.

Where duties on the materials of manufactures are not laid for the purpose of preventing a competition with some domestic production the same reasons which recommend, as a general rule, the exemption of those materials from duties would recommend, as a like general rule, the allowance of drawbacks in favor of the manufacturer. Accordingly such drawbacks are familiar in countries which systematically pursue the business of manufactures, which furnishes an argument for the observance of a similar policy in the United States; and the idea has been adopted by the laws of the Union in the instances of salt and molasses. It is believed that it will be found advantageous to extend it to some other articles.

8. The Encouragement of New Inventions and Discoveries at Home and of the Introduction Into the United States of Such as May Have Been Made in Other Countries, Particularly Those Which Relate to Machinery.

This is among the most useful and unexceptionable of the aids which can be given to manufacturers. The usual means of that encouragement are pecuniary rewards, and for a time exclusive privileges. The first must be employed according to the occasion

and the utility of the invention or discovery. For the last, so far as respects "authors and inventors," provision has been made by law. But it is desirable in regard to improvements and secrets of extraordinary value to be able to extend the same benefit to introducers as well as authors and inventors; a policy which has been practiced with advantage in other countries. Here, however, as in some other cases, there is cause to regret that the competency of the authority of the National Government to the good which might be done is not without a question. Many aids might be given to industry, many internal improvements of primary magnitude might be promoted, by an authority operating throughout the Union, which can not be effected as well, if at all, by an authority confined within the limits of a single State.

But if the legislature of the Union can not do all the good that might be wished, it is at least desirable that all may be done which is practicable. Means for promoting the introduction of foreign improvements, though less efficaciously than might be accomplished with more adequate authority, will form a part of the plan intended to be submitted in the close of this report.

It is customary with manufacturing nations to prohibit, under severe penalties, the exportation of implements and machines which they have either invented or improved. There are already objects for a similar regulation in the United States, and others may be expected to occur from time to time. The adoption of it seems to be dictated by the principle of reciprocity. Greater liberality in such respects might better comport with the general spirit of the country, but a selfish and exclusive policy in other quarters will not always permit the free indulgence of a spirit which would place us upon an unequal footing. As far as prohibitions tend to prevent foreign competitors from deriving the benefit of the improvements made at home, they tend to increase the advantages of those by whom they may have been introduced and operate as an encouragement to exertion.

9. Judicious Regulations for the Inspection of Manufactured Commodities.

This is not among the least important of the means by which the prosperity of manufactures may be promoted. It is, indeed, in many cases one of the most essential. Contributing to prevent frauds upon consumers at home and exporters to foreign countries, to improve the quality and preserve the character of the national manufactures, it can not fail to aid the expeditious and advantageous sale of them and to serve as a guard against successful competition from other quarters. The reputation of the flour and lumber of some States and of potash of others has been established by an attention to this point. And the like good name might be procured for those articles, wheresoever produced, by a judicious and uniform system of inspection throughout the ports of the United States. A like system might also be extended with advantage to other commodities.

10. The Facilitating of Pecuniary Remittances from Place to Place.

This is a point of considerable moment to trade in general, and to manufacturers in particular, by rendering more easy the purchase of raw materials and provisions, and the payment for manufactured supplies. A general circulation of bank paper, which is to be expected from the institution lately established, will be a most valuable means to this end. But much good would also accrue from some additional provisions respecting inland bills of exchange. If those drawn in one State, payable in another, were made negotiable everywhere, and interest and damages allowed in case of protest, it would greatly promote negotiations between citizens of different States, by rendering them more secure, and with it the convenience and advantage of the merchants and manufacturers of each.

11. The Facilitating of the Transportation of Commodities.

Improvements favoring this object intimately concern all the domestic interests of a community; but they may, without impropriety, be mentioned as having an important relation to manufactures. There is, perhaps, scarcely anything which has been better calculated to assist the manufactures of Great Britain, than the melioration of the public roads of that Kingdom, and the great progress which has been of late made in opening canals. Of the former, the United States stand much in need; for the latter, they present uncommon facilities.

The symptoms of attention to the improvement of inland navigation which have lately appeared in some quarters must fill with pleasure every breast, warmed with a true zeal for the prosperity of the country. These examples, it is to be hoped, will stimulate the exertions of the Government and citizens of every State. There can certainly be no object more worthy of the cares of the local administrations; and it were to be wished that there was no doubt of the power of the National Government to lend its direct aid on a comprehensive plan. This is one of those improvements which could be prosecuted with more efficacy by the whole, than by any part or parts of the Union. There are cases in which the general interest will be in danger to be sacrificed to the collision of some supposed local interests. Jealousies in matters of this kind are as apt to exist as they are apt to be erroneous.

The following remarks are sufficiently judicious and pertinent to deserve a literal quotation:

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of a country more nearly upon a level with those in the neighborhood of the town. They are, upon that account, the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighborhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is the great enemy to good management, which can never be universally established, but in consequence of that free and universal competition, which forces everybody to have recourse to it for the sake of self-defense. It is not more than 50 years ago that some of the counties in the neighborhood of London petitioned the Parliament against the extension of the turnpike roads into the remoter counties. Those remoter coun-

ties, they pretended, from the cheapness of labor, would be able to sell their grass and corn cheaper in the London market than themselves, and they would thereby reduce their rents and ruin their cultivation. Their rents, however, have risen and their cultivation has been improved since that time.

Specimens of a spirit similar to that which governed the counties here spoken of present themselves too frequently to the eye of an impartial observer, and render it a wish of patriotism that the body in this country in whose councils a local or partial spirit is at least likely to predominate were at liberty to pursue and promote the general interest in those instances in which there might be danger of the interference of such a spirit.

The foregoing are the principal of the means by which the growth of manufactures is ordinarily promoted. It is, however, not merely necessary that the measures of government, which have a direct view to manufactures, should be calculated to assist and protect them, but that those which only collaterally affect them in the general course of the administration should be guarded from any peculiar tendency to injure them.

There are certain species of taxes which are apt to be oppressive to different parts of the community and, among other ill effects, have a very unfriendly aspect toward manufactures. All poll or capitation taxes are of this nature. They either proceed according to a fixed rate, which operates unequally and injuriously to the industrious poor, or they vest a discretion in certain officers to make estimates and assessments which are necessarily vague, conjectural, and liable to abuse. They ought, therefore, to be abstained from in all but cases of distressing emergency.

All such taxes (including all taxes on occupations) which proceed according to the amount of capital supposed to be employed in a business, or of profits supposed to be made in it, are unavoidably hurtful to industry. It is in vain that the evil may be endeavored to be mitigated by leaving it, in the first instance, in the option of the party to be taxed to declare the amount of his capital or profits.

Men engaged in any trade or business have commonly weighty reasons to avoid disclosures which would expose with anything like accuracy the real state of their affairs. They most frequently find it better to risk oppression than to avail themselves of so inconvenient a refuge, and the consequence is that they often suffer oppression.

When the disclosure, too, if made, is not definitive, but controllable by the discretion or, in other words, by the passions and prejudices of the revenue officers, it is not only an ineffectual protection, but the possibility of its being so is an additional reason for not resorting to it.

Allowing to the public officers the most equitable dispositions, yet where they are to exercise a discretion without certain data they can not fail to be often misled by appearances. The quantity of business which seems to be going on is in a vast number of cases a very deceitful criterion of the profits which are made; yet it is, perhaps, the best they can have, and it is the one on which they will most naturally rely. A business, therefore, which may rather require aid from the Government than be in a capacity to be contributory to it may find itself crushed by the mistaken conjectures of the assessors of taxes.

Arbitrary taxes, under which denomination are comprised all those that leave the quantum of the tax to be raised on each person to the

discretion of certain officers, are as contrary to the genius of liberty as to the maxims of industry. In this light they have been viewed by the most judicious observers on government, who have bestowed upon them the severest epithets of reprobation as constituting one of the worst features usually to be met with in the practice of despotic governments.

It is certain at least that such taxes are particularly inimical to the success of manufacturing industry and ought carefully to be avoided by a government which desires to promote it.

The great copiousness of the subject of this report has insensibly led to a more lengthy preliminary discussion than was originally contemplated or intended. It appeared proper to investigate principles, to consider objections, and to endeavor to establish the utility of the thing proposed to be encouraged previous to a specification of the objects which might occur as meriting or requiring encouragement, and of the measures which might be proper in respect to each. The first purpose having been fulfilled, it remains to pursue the second.

In the selection of objects five circumstances seem entitled to particular attention. The capacity of the country to furnish the raw material; the degree in which the nature of the manufacture admits of a substitute for manual labor in machinery; the facility of execution; the extensiveness of the uses to which the article can be applied; its subserviency to other interests, particularly the great one of national defense. There are, however, objects to which these circumstances are little applicable, which, for some special reasons, may have a claim to encouragement.

The designation of the principal raw material of which each manufacture is composed will serve to introduce the remarks upon it; as, in the first place—

IRON.

The manufactures of this article are entitled to preeminent rank. None are more essential in their kinds, nor so extensive in their uses. They constitute in whole or in part the implements or the materials, or both, of almost every useful occupation. Their instrumentality is everywhere conspicuous.

It is fortunate for the United States that they have peculiar advantages for deriving the full benefit of this most valuable material, and they have every motive to improve it with systematic care. It is to be found in various parts of the United States, in great abundance, and of almost every quality; and fuel, the chief instrument in manufacturing it, is both cheap and plenty. This particularly applies to charcoal; but there are productive coal mines already in operation, and strong indications that the material is to be found in abundance in a variety of other places.

The inquiries to which the subject of this report has led have been answered with proofs that manufactories of iron, though generally understood to be extensive, are far more so than is commonly supposed. The kinds in which the greatest progress has been made have been mentioned in another place and need not be repeated; but there is little doubt that every other kind with due cultivation will rapidly succeed. It is worthy of remark that several of the particular trades of which it is the basis are capable of being carried on without the aid of large capital.

Iron works have greatly increased in the United States and are prosecuted with much more advantage than formerly. The average price before the Revolution was about $64 per ton; at present it is about $80—a rise which is chiefly to be attributed to the increase of manufactures of the material.

The still further extension and multiplication of such manufactures will have the double effect of promoting the extraction of the metal itself and of converting it to a greater number of profitable purposes.

Those manufactures, too, unite in a greater degree than almost any others the several requisites which have been mentioned as proper to be consulted in the selection of objects.

The only further encouragement of manufactories of this article, the propriety of which may be considered as unquestionable, seems to be an increase of the duties on foreign rival commodities.

Steel is a branch which has already made a considerable progress, and it is ascertained that some new enterprises on a more extensive scale have been lately set on foot. The facility of carrying it to an extent which will supply all internal demands and furnish a considerable surplus for exportation can not be doubted. The duty upon the importation of this article, which is at present 75 cents per hundredweight, may, it is conceived, be safely and advantageously extended to 100 cents. It is desirable by decisive arrangements to second the efforts which are making in so very valuable a branch.

The United States already, in a great measure, supply themselves with nails and spikes. They are able and ought certainly to do it entirely. The first and most laborious operation in this manufacture is performed by water mills, and of the persons afterwards employed, a great proportion are boys, whose early habits of industry are of importance to the community, to the present support of their families, and to their own future comfort. It is not less curious than true that, in certain parts of the country, the making of nails is an occasional family manufacture. The expediency of an additional duty on these articles is indicated by an important fact. About 1,800,000 pounds of them were imported into the United States in the course of a year ending the 30th of September, 1790. A duty of 2 cents per pound would, it is presumable, speedily put an end to so considerable an importation. And it is in every view proper that an end should be put to it.

The manufacture of these articles, like that of some others, suffers from the carelessness and dishonesty of a part of those who carry it on. An inspection in certain cases might tend to correct the evil. It will deserve consideration whether a regulation of this sort can not be applied without inconvenience to the exportation of the articles either to foreign countries or from one State to another.

The implements of husbandry are made in several States in great abundance. In many places it is done by the common blacksmiths. And there is no doubt that an ample supply for the whole country can with great ease be procured among ourselves.

Various kinds of edged tools for the use of mechanics are also made, and a considerable quantity of hollow wares, though the business of castings has not yet attained the perfection which might be wished. It is, however, improving, and as there are respectable capitals, in good hands, embarked in the prosecution of those

branches of iron manufactories, which are yet in their infancy, they may all be contemplated as objects not difficult to be acquired.

To insure the end, it seems equally safe and prudent to extend the duty, ad valorem, upon all manufactures of iron, or of which iron is the article of chief value, to 10 per cent.

Firearms and other military weapons may, it is conceived, be placed, without inconvenience, in the class of articles rated at 15 per cent. There are already manufactories of these articles which only require the stimulus of a certain demand to render them adequate to the supply of the United States.

It would also be a material aid to manufactures of this nature, as well as a means of public security, if provision should be made for an annual purchase of military weapons of home manufacture to a certain determinate extent, in order to the formation of arsenals, and to replace from time to time such as should be withdrawn for use, so as always to have in store the quantity of each kind which should be deemed a competent supply.

But it may hereafter deserve legislative consideration, whether manufactories of all the necessary weapons of war ought not to be established, on account of the Government itself. Such establishments are agreeable to the usual practice of nations, and that practice seems founded on sufficient reason.

There appears to be an improvidence in leaving these essential instruments of national defense to the casual speculation of individual adventure—a resource which can less be relied upon in this case than in most others, the articles in question not being objects of ordinary and indispensable private consumption or use. As a general rule, manufactories on the immediate account of government are to be avoided; but this seems to be one of the few exceptions which that rule admits, depending on very special reasons.

Manufactures of steel, generally, or of which steel is the article of chief value, may with advantage be placed in the class of goods rated at 7½ per cent. As manufactures of this kind have not yet made any considerable progress, it is a reason for not rating them as high as those of iron; but as this material is the basis of them, and as their extension is not less practicable than important, it is desirable to promote it by a somewhat higher duty than the present.

A question arises, how far it might be expedient to permit the importation of iron, in pigs and bars, free from duty. It would certainly be favorable to manufactures of this article; but the doubt is, whether it might not interfere with its production.

Two circumstances, however, abate, if they do not remove apprehension, on this score; one is the considerable increase of price which has been already remarked, and which renders it probable that the free admission of foreign iron would not be inconsistent with an adequate profit to the proprietors of iron works; the other is the augmentation of demand which would be likely to attend the increase of manufactures of the article, in consequence of the additional encouragements proposed to be given. But caution, nevertheless, in a matter of this kind is most advisable. The measure suggested ought, perhaps, rather to be contemplated subject to the lights of further experience than immediately adopted.

COPPER.

The manufactures of which this article is susceptible are also of great extent and utility. Under this description those of brass, of which it is the principal ingredient, are intended to be included.

The material is a natural production of the country. Mines of copper have actually been wrought and with profit to the undertakers, though it is not known that any are now in this condition. And nothing is easier than the introduction of it from other countries on moderate terms and in great plenty.

Coppersmiths and brass founders, particularly the former, are numerous in the United States, some of whom carry on business to a respectable extent.

To multiply and extend manufactories of the materials in question is worthy of attention and effort. In order to do this it is desirable to facilitate a plentiful supply of the materials, and a proper means to this end is to place them in the class of free articles. Copper, in plates, and brass, are already in this predicament; but copper, in pigs and bars, is not; neither is lapis calaminaris, which, together with copper and charcoal, constitute the component ingredients of brass. The exemption from duty, by parity of reason, ought to embrace all such of these articles as are objects of importation.

An additional duty on brass wares will tend to the general end in view. These now stand at 5 per cent, while those of tin, pewter, and copper are rated at 7½. There appears to be a propriety in every view in placing brass wares upon the same level with them, and it merits consideration whether the duty upon all of them ought not to be raised to 10 per cent.

LEAD.

There are numerous proofs that this material abounds in the United States and requires little to unfold it to an extent more than equal to every domestic occasion. A prolific mine of it has long been open in the southwestern part of Virginia, and under a public administration during the late war yielded a considerable supply for military use. This is now in the hands of individuals, who not only carry it on with spirit but have established manufactories of it at Richmond, in the same State.

The duties already laid upon the importation of this article, either in its unmanufactured or manufactured state, insure it a decided advantage in the home market, which amounts to considerable encouragement. If the duty on pewter wares should be raised, it would afford a further encouragement. Nothing else occurs as proper to be added.

FOSSIL COAL.

This, as an important instrument of manufactures, may without impropriety be mentioned among the subjects of this report.

A copious supply of it would be of great consequence to the iron branch. As an article of household fuel, also, it is an interesting production, the utility of which must increase in proportion to the decrease of wood by the progress of settlement and cultivation; and

its importance to navigation, as an immense article of transportation coastwise, is signally exemplified in Great Britain.

It is known that there are several coal mines in Virginia now worked, and appearances of their existence are familiar in a number of places.

The expediency of a bounty on all this species of coal of home production, and of premiums on the opening of new mines under certain qualifications, appears to be worthy of particular examination. The great importance of the article will amply justify a reasonable expense in this way, if it shall appear to be necessary to and shall be thought likely to answer the end.

WOOD.

Several manufactures of this article flourish in the United States. Ships are nowhere built in greater perfection, and cabinet wares generally are made little, if at all, inferior to those of Europe. Their extent is such as to have admitted of considerable exportation.

An exemption from duty of the several kinds of wood ordinarily used in these manufactures seems to be all that is requisite by way of encouragement. It is recommended by the consideration of a similar policy being pursued in other countries and by the expediency of giving equal advantages to our own workmen in wood. The abundance of timber proper for shipbuilding in the United States does not appear to be any objection to it. The increasing scarcity and growing importance of that article in the European countries admonish the United States to commence and systematically to pursue measures for the preservation of their stock. Whatever may promote the regular establishment of magazines of ship timber is in various views desirable.

SKINS.

There are scarcely any manufactures of greater importance than of this article. Their direct and very happy influence upon agriculture, by promoting the raising of cattle of different kinds, is a very material recommendation.

It is pleasing, too, to observe the extensive progress they have made in their principal branches, which are so far matured as almost to defy foreign competition. Tanneries, in particular, are not only carried on as a regular business in numerous instances and in various parts of the country, but they constitute in some places a valuable item of incidental family manufactures.

Representations, however, have been made, importing the expediency of further encouragement to the leather branch in two ways: One by increasing the duty on the manufactures of it which are imported; the other by prohibiting the exportation of bark. In support of the latter it is alleged that the price of bark, chiefly in consequence of large exportations, has risen within a few years from about three dollars to four and a half per cord.

These suggestions are submitted rather as intimations which merit consideration than as matters the propriety of which is manifest. It is not clear that an increase of duty is necessary; and in regard to the prohibition desired there is no evidence of any considerable

exportation hitherto, and it is most probable that, whatever augmentation of price may have taken place, is to be attributed to an extension of the home demand, from the increase of manufactures, and to a decrease of the supply, in conseqeunce of the progress of settlement, rather than to the quantities which have been exported.

It is mentioned, however, as an additional reason for the prohibition that one species of the bark usually exported is in some sort peculiar to the country, and the material of a very valuable dye, of great use in some other manufactures in which the United States have begun a competition.

There may also be this argument in favor of an increase of duty. The object is of importance enough to claim decisive encouragement, and the progress which has been made leaves no room to apprehend any inconvenience on the score of supply from such an increase.

It would be of benefit to this branch if glue, which is now rated at 5 per cent, were made the object of an excluding duty. It is already made in large quantities at various tanneries and, like paper, is an entire economy of materials which if not manufactured would be left to perish. It may be placed with advantage in the class of articles paying 15 per cent.

GRAIN.

Manufactures of the several species of this article have a title to peculiar favor, not only because they are, most of them, immediately connected with the subsistence of the citizens, but because they enlarge the demand for the most precious products of the soil.

Though flour may, with propriety, be noticed as a manufacture of grain, it were useless to do it but for the purpose of submitting the expediency of a general system of inspection throughout the ports of the United States which, if established upon proper principles, would be likely to improve the quality of our flour everywhere and to raise its reputation in foreign markets. There are, however, considerations which stand in the way of such an arrangement.

Ardent spirits and malt liquors are, next to flour, the two principal manufactures of grain. The first has made a very extensive, the last a considerable progress in the United States. In respect to both, an exclusive possession of the home market ought to be secured to the domestic manufacturers as fast as circumstances will admit. Nothing is more practicable and nothing more desirable.

The existing laws of the United States have done much toward attaining this valuable object; but some additions to the present duties on foreign distilled spirits and foreign malt liquors, and perhaps an abatement of those on home-made spirits, would more effectually secure it, and there does not occur any very weighty objection to either.

An augmentation of the duties on imported spirits would favor as well the distillation of spirits from molasses as that from grain. And to secure to the Nation the benefit of a manufacture, even of foreign materials, is always of great though perhaps of secondary importance.

A strong impression prevails in the minds of those concerned in distilleries (including, too, the most candid and enlightened) that greater differences in the rates of duty on foreign and domestic spirits

are necessary completely to secure the successful manufacture of the latter, and there are facts which entitle this impression to attention.

It is known that the price of molasses for some years past has been successively rising in the West India markets, owing partly to a competition which did not formerly exist and partly to an extension of demand in this country, and it is evident that the late disturbances in those islands, from which we draw our principal supply, must so far interfere with the production of the article as to occasion a material enhancement of price. The destruction and devastation attendant on the insurrection in Hispaniola in particular must not only contribute very much to that effect, but may be expected to give it some duration. These circumstances and the duty of 3 cents per gallon on molasses may render it difficult for the distillers of that material to maintain with adequate profit a competition with the rum brought from the West Indies, the quality of which is so considerably superior.

The consumption of geneva, or gin, in this country is extensive. It is not long since distilleries of it have grown up among us to any importance. They are now becoming of consequence, but being still in their infancy they require protection.

It is represented that the price of some of the materials is greater here than in Holland, from which place large quantities are brought; the price of labor considerably greater; capitals engaged in the business there much larger than those which are employed here; the rate of profits at which the undertakers can afford to carry it on, much less; the prejudices in favor of imported gin, strong. These circumstances are alleged to outweigh the charges which attend the bringing of the article from Europe to the United States, and the present difference of duty, so as to obstruct the prosecution of the manufacture with due advantage.

Experiment could, perhaps, alone decide with certainty the justness of the suggestions which are made; but, in relation to branches of manufacture so important, it would seem expedient to hazard an unfavorable issue, and better to err on the side of too great than of too small a difference in the particular in question.

It is therefore submitted that an addition of 2 cents per gallon be made to the duty on imported spirits of the first class of proof, with a proportionable increase on those of higher proof; and that a reduction of 1 cent per gallon be made from the duty on spirits distilled within the United States, beginning with the first class of proof, and a proportionable deduction from the duty on those of higher proof.

It is ascertained that by far the greatest part of the malt liquor consumed in the United States are the produce of domestic breweries. It is desirable, and in all likelihood attainable, that the whole consumption should be supplied by ourselves.

The malt liquors at home, though inferior to the best, are equal to a great part of those which have been usually imported. The progress already made is an earnest of what may be accomplished. The growing competition is an assurance of improvement. This will be accelerated by measures tending to invite a greater capital into this channel of employment.

To render the encouragement of domestic breweries decisive it may be advisable to substitute to the present rates of duty 8 cents per gallon, generally; and it will deserve to be considered as a guard

against evasions, whether there ought not to be a prohibition of their importation except in casks of considerable capacity. It is to be hoped that such a duty would banish from the market foreign malt liquors of inferior quality, and that the best kind only would continue to be imported, till it should be supplanted by the efforts of equal skill or care at home.

Till that period the importation, so qualified, would be a useful stimulus to improvement, and in the meantime the payment of the increased price for the enjoyment of a luxury in order to the encouragement of a most useful branch of domestic industry could not reasonably be deemed a hardship.

As a further aid to manufactures of grains, though upon a smaller scale, the articles of starch, hair powder, and wafers may with great propriety be placed among those which are rated at 15 per cent. No manufactures are more simple nor more completely within the reach of a full supply from domestic sources; and it is a policy as common as it is obvious to make them the objects either of prohibitionary duties or of express prohibition.

FLAX AND HEMP.

Manufactures of these articles have so much affinity to each other, and they are so often blended, that they may with advantage be considered in conjunction. The importance of the linen branch to agriculture, its precious effects upon household industry, the ease with which the materials can be produced at home to any requisite extent, the great advances which have been already made in the coarser fabrics of them, especially in the family way, constitute claims of peculiar force to the patronage of Government.

This patronage may be afforded in various ways—by promoting the growth of the materials, by increasing the impediments to an advantageous competition of rival foreign articles, and by direct bounties or premiums upon the home manufactures.

First. As to promoting the growth of the materials.

In respect to hemp, something has been already done by the high duty upon foreign hemp. If the facilities for domestic production were not unusually great, the policy of the duty on the foreign raw material would be highly questionable as interfering with the growth or manufactures of it. But making the proper allowances for those facilities and with an eye to the future and natural progress of the country the measure does not appear, upon the whole, exceptionable.

A strong wish naturally suggests itself that some method could be devised of affording a more direct encouragement to the growth both of flax and hemp, such as would be effectual and at the same time not attended with too great inconveniences. To this end bounties and premiums offer themselves to consideration, but no modification of them has yet occurred which would not either hazard too much expense or operate unequally in reference to the circumstances of different parts of the Union, and which would not be attended with very great difficulties in the execution.

Secondly. As to increasing the impediments to an advantageous competition of rival foreign articles.

To this purpose an augmentation of the duties on importation is the obvious expedient which in regard to certain articles appears to be recommended by sufficient reasons.

The principal of these articles is sailcloth, one intimately connected with navigation and defense, and of which a flourishing manufactory is established at Boston and very promising ones at several other places.

It is presumed to be both safe and advisable to place this in the class of articles rated at 10 per cent. A strong reason for it results from the consideration that a bounty of 2 pence sterling per ell is allowed in Great Britain upon the exportation of the sailcloth manufactured in that Kingdom.

It would likewise appear to be good policy to raise the duty to 7½ per cent on the following articles: Drillings, osnaburgs, ticklenburgs, dowlas, canvas, brown rolls, bagging, and upon all other linens the first cost of which at the place of exportation does not exceed 35 cents per yard. A bounty of 12½ per cent upon an average on the exportation of such or similar linens from Great Britain encourages the manufacture of them in that country and increases the obstacles to a successful competition in the countries to which they are sent.

The quantities of tow and other household linens manufactured in different parts of the United States and the expectations which are derived from some late experiments of being able to extend the use of labor-saving machines in the coarser fabrics of linen obviate the danger of inconvenience from an increase of the duty upon such articles and authorize a hope of speedy and complete success to the endeavors which may be used for procuring an internal supply.

Thirdly. As to direct bounties or premiums upon the manufactured articles.

To afford more effectual encouragement to the manufacture and at the same time to promote the cheapness of the article, for the benefit of navigation, it will be of great use to allow a bounty of 2 cents per yard on all sailcloth which is made in the United States from materials of their own growth. This would also assist the culture of those materials. An encouragement of this kind, if adopted, ought to be established for a moderate term of years, to invite to new undertakings and to an extension of the old. This is an article of importance enough to warrant the employment of extraordinary means in its favor.

COTTON.

There is something in the texture of this material which adapts it in a peculiar degree to the application of machines. The signal utility of the mill for spinning of cotton, not long since invented in England, has been noticed in another place; but there are other machines, scarcely inferior in utility, which, in the different manufactories of this article, are employed, either exclusively or with more than ordinary effect. This very important circumstance recommends the fabrics of cotton in a more particular manner to a country in which a defect of hands constitutes the greatest obstacle to success.

The variety and extent of the uses to which the manufactures of this article are applicable is another powerful argument in their favor.

And the faculty of the United States to produce the raw material in abundance, and of a quality which, though alleged to be inferior to some that is produced in other quarters, is nevertheless capable of being used with advantage in many fabrics and is probably susceptible of being carried by a more experienced culture to much greater perfection, suggests an additional and a very cogent inducement to the vigorous pursuit of the cotton branch in its several subdivisions.

How much has been already done has been stated in a preceding part of this report.

In addition to this, it may be announced that a society is forming with a capital which is expected to be extended to at least half a million dollars, on behalf of which measures are already in train for prosecuting on a large scale the making and printing of cotton goods.

These circumstances conspire to indicate the expediency of removing any obstructions which may happen to exist to the advantageous prosecution of the manufactories in question and of adding such encouragements as may appear necessary and proper.

The present duty of 3 cents per pound on the foreign raw material is undoubtedly a very serious impediment to the progress of those manufactories.

The injurious tendency of similar duties, either prior to the establishment or in the infancy of the domestic manufacture of the article, as it regards the manufacture, and their worse than inutility in relation to the home production of the material itself, have been anticipated, particularly in discussing the subject of pecuniary bounties.

Cotton has not the same pretensions with hemp to form an exception to the general rule.

Not being like hemp, an universal production of the country, it affords less assurance of an adequate internal supply; but the chief objection arises from the doubts which are entertained concerning the quality of the national cotton. It is alleged that the fiber of it is considerably shorter and weaker than that of some other places; and it has been observed, as a general rule, that the nearer the place of growth to the equator the better the quality of the cotton. That which comes from Cayenne, Surinam, and Demarara, is said to be preferable, even at a material difference of price, to the cotton of the islands.

While a hope may reasonably be indulged that with due care and attention the national cotton may be made to approach nearer than it now does to that of regions somewhat more favored by climate, and while facts authorize an opinion that very great use may be made of it, and that it is a resource which gives greater security to the cotton fabrics of this country than can be enjoyed by any which depends wholly on external supply, it will certainly be wise, in every view, to let our infant manufactures have the full benefit of the best materials on the cheapest terms. It is obvious that the necessity of having such materials is proportioned to the unskillfulness and inexperience of the workmen employed, who, if inexpert, will not fail to commit great waste where the materials they are to work with are of an indifferent kind.

To secure to the national manufacturers so essential an advantage, a repeal of the present duty on imported cotton is indispensable.

A substitute for this, far more encouraging to domestic production, will be to grant a bounty on the national cotton when wrought at a home manufactory, to which a bounty on the exportation of it may be added. Either, or both, would do much more toward promoting the growth of the article than the merely nominal encouragement which it is proposed to abolish. The first would also have a direct influence in encouraging the manufacture.

The bounty which has been mentioned as existing in Great Britain, upon the exportation of coarse linens not exceeding a certain value, applies also to certain descriptions of cotton goods of similar value.

This furnishes an additional argument for allowing to the national manufactures the species of encouragement just suggested, and, indeed, for adding some other aid.

One cent per yard, not less than of a given width, on all goods of cotton, or of cotton and linen mixed, which are manufactured in the United States, with the addition of 1 cent per pound weight of the material, if made of national cotton, would amount to an aid of considerable importance both to the production and to the manufacture of that valuable article. And it is conceived that the expense would be well justified by the magnitude of the object.

The printing and staining of cotton goods is known to be a distinct business from the fabrication of them. It is one easily accomplished and which, as it adds materially to the value of the article in its white state and prepares it for a variety of new uses, is of importance to be promoted.

As imported cottons, equally with those which are made at home, may be the objects of this manufacture, it will merit consideration whether the whole or a part of the duty on the white goods ought not to be allowed to be drawn back in favor of those who print or stain them. This measure would certainly operate as a powerful encouragement to the business, and though it may in a degree counteract the original fabrication of the articles it would probably more than compensate for this disadvantage in the rapid growth of a collateral branch which is of a nature sooner to attain to maturity. When a sufficient progress shall have been made the drawback may be abrogated, and by that time the domestic supply of the articles to be printed or stained will have been extended.

If the duty of 7½ per cent on certain kinds of cotton goods were extended to all goods of cotton, or of which it is the principal material, it would probably more than counterbalance the effect of the drawback proposed in relation to the fabrication of the article, and no material objection occurs to such an extension. The duty, then, considering all the circumstances which attend goods of this description, could not be deemed inconveniently high, and it may be inferred from various causes that the prices of them would still continue moderate.

Manufactories of cotton goods not long since established at Beverly, in Massachusetts, and at Providence, in the State of Rhode Island, and conducted with a perseverance corresponding with the patriotic motives which began them, seem to have overcome the first obstacles to success, producing corduroys, velverets, fustians,

jeans, and other similar articles of a quality which will bear a comparison with the like articles brought from Manchester. The one at Providence has the merit of being the first introducing into the United States the celebrated cotton mill which not only furnishes materials for that manufactory itself but for the supply of private families for household manufacture.

Other manufactories of the same material as regular businesses have also begun at different places in the State of Connecticut, but all upon a smaller scale than those above mentioned. Some essays are also making in the printing and staining of cotton goods. There are several small establishments of this kind already on foot.

WOOL.

In a country the climate of which partakes of so considerable a proportion of winter as that of a great part of the United States the woolen branch can not be regarded as inferior to any which relates to the clothing of the inhabitants.

Household manufactures of this material are carried on in different parts of the United States to a very interesting extent; but there is only one branch which as a regular business can be said to have acquired maturity. This is the making of hats.

Hats of wool and of wool mixed with fur are made in large quantities in different States, and nothing seems wanting but an adequate supply of material to render the manufacture commensurate with the demand.

A promising essay towards the fabrication of cloths, cassimeres, and other woolen goods is likewise going on at Hartford, in Connecticut. Specimens of the different kinds which are made, in the possession of the Secretary, evince that these fabrics have attained a very considerable degree of perfection. Their quality certainly surpasses anything that could have been looked for in so short a time and under such great disadvantages, and conspires with the scantiness of the means which have been at the command of the directors to form the eulogium of that public spirit, perseverance, and judgment which have been able to accomplish so much.

To cherish and bring to maturity this precious embryo must engage the most ardent wishes and proportionable regret, as far as the means of doing it may appear difficult or uncertain.

Measures which should tend to promote an abundant supply of wool of good quality would probably afford the most efficacious aid that present circumstances permit.

To encourage the raising and improving the breed of sheep at home would certainly be the most desirable expedient for that purpose, but it may not be alone sufficient, especially as it is yet a problem whether our wool be capable of such a degree of improvement as to render it fit for the finer fabrics.

Premiums would probably be found the best means of promoting the domestic and bounties the foreign supply. The first may be within the compass of the institution hereafter to be submitted. The last would require a specific legislative provision. If any bounties are granted they ought, of course, to be adjusted with an eye to quality as well as quantity.

A fund for the purpose may be derived from the addition of 2½ per cent to the present rate of duty on carpets and carpeting, an increase to which the nature of the articles suggests no objection, and which may at the same time furnish a motive the more to the fabrication of them at home, toward which some beginnings have been made.

SILK.

The production of this article is attended with great facility in most parts of the United States. Some pleasing essays are making in Connecticut as well toward that as toward the manufacture of what is produced. Stockings, handkerchiefs, ribbons, and buttons are made, though as yet but in small quantities.

A manufactory of lace, upon a scale not very extensive, has been long memorable at Ipswich, in the State of Massachusetts.

An exemption of the material from the duty which it now pays on importation, and premiums upon the production to be dispensed under the direction of the institution before alluded to, seem to be the only species of encouragement advisable at so early a stage of the thing.

GLASS.

The materials for making glass are found everywhere. In the United States there is no deficiency of them. The sands and stones called tarso, which include flinty and crystalline substances generally, and the salts of various plants, particularly of the seaweed kali, or kelp, constitute the essential ingredients. An extraordinary abundance of fuel is a particular advantage enjoyed by this country for such manufactures. They, however, require large capitals and involve much manual labor.

Different manufactories of glass are now on foot in the United States. The present duty of 12½ per cent on all imported articles of glass amounts to a considerable encouragement to those manufactories. If anything in addition is judged eligible the most proper would appear to be a direct bounty on window glass and black bottles.

The first recommends itself as an object of general convenience; the last adds to that character the circumstance of being an important item in breweries. A complaint is made of great deficiency in this respect.

GUNPOWDER.

No small progress has been of late made in the manufacture of this very important article. It may indeed be considered as already established, but its high importance renders its further extension very desirable.

The encouragement which it already enjoys are a duty of 10 per cent on the foreign rival article and an exemption of saltpeter, one of the principal ingredients of which it is composed, from duty. A like exemption of sulphur, another chief ingredient, would appear to be equally proper. No quantity of this article has yet been produced from internal sources. The use made of it in finishing the bottoms of ships is an additional inducement to placing it in the class of free goods. Regulations for the careful inspection of the article would have a favorable tendency.

PAPER.

Manufactories of paper are among those which are arrived at the greatest maturity in the United States, and are most adequate to national supply. That of paper hangings is a branch in which respectable progress has been made.

Nothing material seems wanting to the further success of this valuable branch, which is already protected by a competent duty on similar imported articles.

In the enumeration of the several kinds made subject to that duty sheathing and cartridge paper have been omitted. These being the most simple manufactures of the sort and necessary to military supply as well as shipbuilding, recommend themselves equally with those of other descriptions to encouragement, and appear to be as fully within the compass of domestic exertions.

PRINTED BOOKS.

The great number of presses disseminated throughout the Union seem to afford an assurance that there is no need of being indebted to foreign countries for the printing of the books which are used in the United States. A duty of 10 per cent instead of 5, which is now charged upon the article, would have a tendency to aid the business internally.

It occurs as an objection to this that it may have an unfavorable aspect toward literature by raising the prices of books in universal use in private families, schools, and other seminaries of learning. But the difference, it is conceived, would be without effect.

As to books which usually fill the libraries of the wealthier classes and of professional men, such an augmentation of prices as might be occasioned by an additional duty of 5 per cent would be too little felt to be an impediment to the acquisition.

And with regard to books which may be specially imported for the use of particular seminaries of learning and of public libraries a total exemption from duty would be advisable, which would go far toward obviating the objection just mentioned. They are now subject to a duty of 5 per cent.

As to the books in most general family use, the constancy and universality of the demand would insure exertions to furnish them at home, and the means are completely adequate. It may also be expected ultimately in this, as in other cases, that the extension of the domestic manufacture would conduce to the cheapness of the article.

It ought not to pass unremarked that to encourage the printing of books is to encourage the manufacture of paper.

REFINED SUGARS AND CHOCOLATE.

These are among the number of extensive and prosperous domestic manufactures.

Drawbacks of the duties upon the materials of which they are respectively made in cases of exportation would have a beneficial influence upon the manufacture, and would conform to a precedent

which has been already furnished in the instance of molasses on the exportation of distilled spirits.

Cocoa, the raw material, now pays a duty of 1 cent per pound, while chocolate, which is a prevailing and very simple manufacture, is comprised in the mass of articles rated at no more than 5 per cent.

There would appear to be a propriety in encouraging the manufacture by a somewhat higher duty on its foreign rival than is paid on the raw material. Two cents per pound on imported chocolate would, it is presumed, be without inconvenience.

The foregoing heads comprise the most important of the several kinds of manufactures which have occurred as requiring and at the same time as most proper for public encouragement, and such measures for affording it as have appeared best calculated to answer the end have been suggested.

The observations which have accompanied this delineation of objects supersede the necessity of many supplementary remarks. One or two, however, may not be altogether superfluous.

Bounties are in various instances proposed as one species of encouragement.

It is a familiar objection to them that they are difficult to be managed, and liable to frauds. But neither that difficulty nor this danger seems sufficiently great to countervail the advantages of which they are productive, when rightly applied. And it is presumed to have been shown that they are, in some cases, particularly in the infancy of new enterprises, indispensable.

It will, however, be necessary to guard with extraordinary circumspection the manner of dispensing them. The requisite precautions have been thought of, but to enter into the detail would swell this report, already voluminous, to a size too inconvenient.

If the principle shall not be deemed inadmissible the means of avoiding an abuse of it will not be likely to present insurmountable obstacles. There are useful guides from practice in other quarters.

It shall, therefore, only be remarked here in relation to this point that any bounty which may be applied to the manufacture of an article can not, with safety, extend beyond those manufactories at which the making of the article is a regular trade. It would be impossible to annex adequate precautions to a benefit of that nature, if extended to every private family in which the manufacture was incidentally carried on; and its being a merely incidental occupation, which engages a portion of time that would otherwise be lost, it can be advantageously carried on without so special an aid.

The possibility of a diminution of the revenue may also present itself as an objection to the arrangements which have been submitted.

But there is no truth which may be more firmly relied upon than that the interests of the revenue are promoted by whatever promotes an increase of national industry and wealth.

In proportion to the degree of these is the capacity of every country to contribute to the public treasury, and where the capacity to pay is increased, or even is not decreased, the only consequence of measures which diminish any particular resource is a change of the object. If by encouraging the manufacture of an article at home the revenue which has been wont to accrue from its importation should be lessened, an indemnification can easily be found either out of the man-

ufacture itself or from some other object which may be deemed more convenient.

The measures, however, which have been submitted, taken aggregately, will for a long time to come rather augment than decrease the public revenue.

There is little room to hope that the progress of manufactures will so equally keep pace with the progress of population as to prevent even a gradual augmentation of the product of the duties on imported articles.

As nevertheless an abolition in some instances and a reduction in others of duties which have been pledged for the public debt is proposed, it is essential that it should be accompanied with a competent substitute. In order to do this, it is requisite that all the additional duties which shall be laid be appropriated, in the first instance, to replace all defalcations which may proceed from any such abolition or diminution. It is evident at first glance that they will not only be adequate to this but will yield a considerable surplus. This surplus will serve—

First. To constitute a fund for paying the bounties which shall have been decreed.

Secondly. To constitute a fund for the operations of a board to be established for promoting arts, agriculture, manufactures, and commerce. Of this institution different intimations have been given in the course of this report. An outline of a plan for it shall now be submitted.

Let a certain annual sum be set apart and placed under the management of commissioners, not less than three, to consist of certain officers of the Government and their successors in office.

Let these commissioners be empowered to apply the fund confided to them to defray the expenses of the emigration of artists and manufacturers in particular branches of extraordinary importance; to induce the prosecution and introduction of useful discoveries and inventions and improvements by proportionate rewards judiciously held out and applied; to encourage by premiums, both honorable and lucrative, the exertions of individuals and of classes in relation to the several objects they are charged with promoting; and to afford such other aids to those objects as may be generally designated by law.

The commissioners to render to the legislature an annual account of their transactions and disbursements; and all such sums as shall not have been applied to the purposes of their trust, at the end of every three years, to revert to the treasury. It may also be enjoined upon them not to draw out the money but for the purpose of some specific disbursement.

It may, moreover, be of use to authorize them to receive voluntary contributions, making it their duty to apply them to the particular objects for which they may have been made, if any shall have been designated by the donors.

There is reason to believe that the progress of particular manufactures has been much retarded by the want of skillful workmen. And it often happens that the capitals employed are not equal to the purposes of bringing from abroad workmen of a superior kind. Here, in cases worthy of it, the auxiliary agency of Government would, in all probability, be useful. There are also valuable workmen in every branch who are prevented from emigrating solely by

the want of means. Occasional aids to such persons properly administered might be a source of valuable acquisitions to the country.

The propriety of stimulating by rewards the invention and introduction of useful improvements is admitted without difficulty. But the success of attempts in this way must evidently depend much on the manner of conducting them. It is probable that the placing of the dispensation of those rewards under some proper discretionary direction, where they may be accompanied by collateral expedients, will serve to give them the surest efficacy. It seems impracticable to apportion by general rules specific compensations for discoveries of unknown and disproportionate utility.

The great use which may be made of a fund of this nature to procure and import foreign improvements is particularly obvious. Among these the article of machines would form a most important item.

The operation and utility of premiums have been adverted to, together with the advantages which have resulted from their dispensation, under the direction of certain public and private societies. Of this, some experience has been had, in the instance of the Pennsylvania Society for the Promotion of Manufactures and Useful Arts; but the funds of that association have been too contracted to produce more than a very small portion of the good to which the principles of it would have led. It may confidently be affirmed that there is scarcely anything which has been devised better calculated to excite a general spirit of improvement than the institutions of this nature. They are truly invaluable.

In countries where there is great private wealth much may be effected by the voluntary contributions of patriotic individuals, but in a community situated like that of the United States the purse must supply the deficiency of private resource. In what can it be so useful as in prompting and improving the efforts of industry?

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

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63D CONGRESS, 1st Session | SENATE | DOCUMENT No. 210

THE MONEY POWER

REMARKS

OF

SENATOR BENJAMIN R. TILLMAN
OF SOUTH CAROLINA

DELIVERED IN THE UNITED STATES SENATE ON OCTOBER 3, 1913

TOGETHER WITH

AN ARTICLE PRINTED IN THE NEW YORK WORLD ON MARCH 1, 1896, GIVING THE IMPRESSIONS AND THE THEN BELIEFS OF SENATOR TILLMAN ABOUT WALL STREET AND WHAT IS CALLED THE MONEY POWER WITH THE FIGURES CORRECTED TO DATE

WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

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CAMBRIDGE, MASS.

IN THE SENATE OF THE UNITED STATES,

October 9, 1913.

Ordered, That the remarks of Senator Tillman, of October 3, 1913, together with an article prepared 18 years ago for the New York World, giving the impressions and the then beliefs of Senator Tillman about Wall Street and what is called "The Money Power," be printed as a document with accompanying illustrations.

Attest:

JAMES M. BAKER,
Secretary.

SENATOR TILLMAN'S RETROSPECT OF EIGHTEEN YEARS.

REMARKS OF HON. BENJAMIN R. TILLMAN, OF SOUTH CAROLINA, IN THE SENATE OF THE UNITED STATES, FRIDAY, OCTOBER 3, 1913.

Mr. TILLMAN. Mr. President, a few days ago I asked unanimous consent for the publication of Hon. Charles Francis Adams's retrospect of his life, called "'Tis Sixty Years Since." Senators who have not read it will enjoy it, I know, and find it most profitable reading.

I am going to indulge in something of the same kind for myself, and I ask unanimous consent to have published in the Record and also as a public document an article I prepared 18 years ago for the New York World, giving my impressions and the then beliefs about Wall Street and what is called "The Money Power."

I am asking for its republication because so much that was mere surmise and prophecy has come true, that I feel it very appropriate for me to reproduce it. I shall incorporate in it, if the Senate will permit, statistics and facts to make the picture a photograph of present conditions, to be compared with conditions which existed in 1896—something on the order of "before and after taking"; or Tillman on conditions in 1896 and those conditions now, brought down to date.

The growth of wealth in New York has been marvelous, and all thoughtful men must realize that the processes by which this wealth has been taken from the producers and transferred to the pockets of those Wall Street sharks have been both morally and legally wrong. The unscrupulous methods which have been used are nothing but robbery, pure and simple.

Charles Francis Adams's retrospect is for 60 years; mine for only 18.

When I came to the Senate 18 years ago I was looked upon as an ultra radical and semianarchist, and the plutocratic press have never ceased to hold the prejudice they then imbibed against me, though of recent years they have become more liberal—some of them even generous—in their comments about my personal characteristics.

One point that will strike everybody—and it is a most important one—is that the income tax which the Supreme Court then declared unconstitutional has just been enacted into law, the Constitution having been amended so as to make it lawful for Congress to do it.

We have had a great howl in the Senate about the inequality and injustice of the income tax. Some eastern Senators have lamented the wrong done to their constituents, the well-groomed and well-fed rich men and millionaires who will have to contribute to the ex-

penses of running the Government because of this tax. They have spoken about the injury done their "people"—"my people" collectively—seemingly unconscious of the fact, which is very patent to anyone, that while the well to do in New England and the Middle States will bear most of the burden of the income tax, these very men have been robbing their fellow citizens, who are workingmen, and keeping them poor. These rich men have systematically milked the poor man's cow in the East just as constantly as they have milked the farmer's cow in the West and South, but they have been shrewd enough to make them believe the contrary. They have appealed to the poorer classes to vote with them to keep the Democrats out of power, and have succeeded until the last election.

I do not believe that these poor men can be longer bamboozled into voting against our Democratic President and his policies by any such claptrap or illogical appeals in future. The time is coming very rapidly when the poor men everywhere will line up at the ballot box against wrong and oppression without regard to party, and a demand for laws which will secure equality of opportunity with equality of burden will be made in thunder tones.

The Democratic platform at Chicago, instead of declaring for a revision of the Constitution, attacked the Supreme Court, asserting that it needed reforming more than the Constitution. But whatever may be the opinion now on that subject—for men will differ—we have just enacted an income-tax law graduated as it should be and cumulative; and the enormous fortunes which have been created by reason of Republican favoritism and class legislation are going to bear their just share of the burden of maintaining this Government. I predict this is only a beginning. An inheritance tax will follow soon.

It is peculiarly gratifying to me to have lived long enough to see this consummation; and I congratulate my brother Democrats throughout the United States on the victory for the people which has at last come. I did my share of the fighting while I had strength and health. I am enjoying to the limit of my ability the victory which we won; and, like an old soldier fallen on the battle field, ill, though not yet dead, I love to think I can hear the shouts of victory; and want to raise one myself—a regular war whoop!

But we have only just begun to undo the deviltry which has been perpetrated by the Republican Party during and since the war. Let us continue the good work until we enact laws which will insure the country against manufactured panics, such as was produced in 1907, and against the robberies of trusts and monopolies. The Republicans have heretofore been shrewd enough to play one half of the working people and farmers against the other half under the plea of protecting American labor. They have preached this lie from every stump, while at the same time they were importing "pauper labor" from Europe by the millions to take the places of the American workingman and his family. The European laborer was called a pauper as long as he was on the other side of the Atlantic and held up as a scarecrow. To admit his goods to our markets was almost a sin against the Holy Ghost. But he became a pet as soon as he landed on this side and was turned into a Republican voter, giving the protected interests more Congressmen at Washington and more opportunity to rob the producers.

The tariff law which we have just enacted will have demonstrated before the next general election whether there is any foundation in the prediction made on the floor of the Senate about the ruinous consequences which would follow its enactment. With free sugar and free wool the cost of living is bound to come down, and such falsehoods will no longer influence the men who have ballots to protect themselves. Heretofore the ballots have been cast often directly against their own interests and in favor of the plutocrats who had debauched the Government at Washington, causing laws to be enacted to make their wealth increase while the poor were growing poorer every day.

The "silver craze," as it was called in derision, has quieted down. Whether or not it was a "craze" at all and whether the world will not be compelled to remonetize silver only time can tell. The "goldbugs" promised all sorts of blessings to the country if the gold standard was maintained. But somehow the high cost of living continues to climb, the poor people are getting more and more restless, and many are becoming angry. Some of them are almost desperate and hopeless of any relief.

I do not know myself what is wrong with the world, but I do know this: The unrest is growing daily and socialists multiplying apace, and Congress should set itself honestly and earnestly to the task of righting things and furnishing relief. Charles Francis Adams's address will throw a great flood light from the viewpoint of that distinguished publicist and patriot, now verging on 80 years.

The essential parts of the Democratic platform of 1896 are going to be enacted into law sooner or later, I firmly believe.

The people have chosen a wise and patriotic leader, who will neither betray nor sell them out. Woodrow Wilson is "making good" every day of his life and will go down in American history as one of the greatest of our Presidents. Let all laggard Democrats, if there be any, buckle on their armor and fall into line under his leadership; and let us move forward toward the restoration of our Republic to Lincoln's grand and glorious ideal, "a Government of the people, for the people, and by the people."

The VICE PRESIDENT. Is there objection to the request of the Senator from South Carolina that the matter referred to by him be published in the Record and also as a public document? The Chair hears none, and it is so ordered.

(The matter referred to follows.)

THE MONEY POWER.

[From the New York World, Sunday, March 1, 1896.]

TILLMAN'S BLAST—THE FARMER ICONOCLAST AMONG WALL STREET MONEY KINGS—HIS PARABLE OF THE COW—FED ON FRUITFUL FARMS OF THE COUNTRY, BUT MILKED ONLY BY EASTERN SPECULATORS—TWO CARTOONS OF HIS OWN DESIGN—THE KIND OF ARGUMENT WHICH MADE TILLMAN FIRST GOVERNOR AND THEN SENATOR FROM SOUTH CAROLINA—CLEVELAND AND THE "MONEY POWER"—ELECTED AS A PROTEST AGAINST GOVERNMENTAL PARASITES, BUT HAS ADDED TO THEIR POWER.

A strange figure appeared in Wall Street on Monday morning and wandered with the crowds that roared between the towering buildings. A tall, strong man with brown, shaven face, Napoleonic features, and a single, fierce eye. The black slouch hat was pulled down in front and turned up behind. There never was a more striking figure seen in the citadel of the millionaires, nor one of deeper significance. As he stood in front of the Subtreasury, grimly eyeing the office of J. Pierpont Morgan, a few men turned around to look a second time at the dark, almost savage countenance. But none in that vast, restless multitude seemed to recognize Senator Benjamin Ryan Tillman, who had come to New York to write up Wall Street for the World.

"So that's where Morgan lives, yonder!"

The one eye burned with a sudden enthusiasm. The voice was shrill and harsh. Then the Senator turned and gazed at Trinity Church, standing like a benediction at the top of the street.

"How much did you say Trinity Church has accumulated?"

"More than a hundred millions."

"And so much poverty! So much suffering! It's very strange."

With a sigh the Senator strode across to the Stock Exchange, climbed up to the gallery, and peered down at the swirling, shrieking speculators on the main floor. The lines in his face deepened.

"I have been here before," he muttered. "I came as governor of South Carolina to sell the bonds of my State. I know what a horde of wolves they are. These are the men who have the Nation by the throat."

So for two days Senator Tillman went about in the strongholds of the money kings of America searching for facts.

"There isn't a drop of patriotic blood in this crowd," he said. "And yet it writes the laws and controls the policy of the country. Nothing but a revolution can overthrow the money power. We must try the ballot box first, and then if we fail—but I have said it on the floor of the Senate. The American spirit is not yet dead, thank God, and you fellows in New York will soon hear from the South and the West."

And presently the Senator sat down in Delmonico's to see the young and old bucks eat and drink the wealth created by the toilers. Whereat he returned to his hotel and wrote what he had to say.

These are the views which Tillman holds. They have made him governor of South Carolina and United States Senator—the idol of the Carolina farmers. The World has obtained and now publishes his opinions, but does not indorse them.

SENATOR TILLMAN'S VIEWS—HIS VISIT TO WALL STREET AND HIS OPINION OF ITS POWER IN THE WHOLE COUNTRY.

Wall Street is a term in very common use, and most people have an essentially clear idea as to its meaning. As understood by the masses, it stands for what has come to be known as the money power, the force exerted by aggregated capital.

There is at this time a double interest attaching to the term "Wall Street" by reason of the fact that everything of a political nature indicates that the struggle for the mastery of this country—whether the people shall govern it or whether money shall govern it—is approaching a climax.

The financial question and its settlement is now the uppermost one in the minds of men. Interested persons may attempt to push it aside and belittle it and to substitute other issues for it, but in the coming presidential election it must be the issue.

Feeling thus, and having had cause recently to give expression to my ideas and opinions in the Senate in no uncertain terms and no uncertain manner, I have thought it well to ask the use of the columns of America's greatest newspaper with a view to presenting phases of the question with more clearness than was possible on that occasion.

With that purpose in mind I have devoted during the past week a couple of days to the gathering of some facts by a personal visit to New York and to Wall Street. It so happened that during my term as governor of South Carolina I had the opportunity while negotiating for refunding our State debt to study the methods employed by those who manipulate and control the complex machinery by means of which a few men, not exceeding 500, have laid the industries, the politics, and, in fact, the Government of this country under tribute and are gathering for themselves wealth beyond computation in a period of time so short as to stagger belief.

For the reader unfamiliar with New York City, it is well to give a brief description as to what Wall Street, taken as a district of New York City, really is to the eye. When Manhattan Island, on which New York stands, was first settled by the Dutch, they chose to locate on its extreme southern point, where meet the East and the Hudson Rivers. A town grew up, composed of a network of irregular, crooked streets, without seeming order, and all very narrow.

A few hundred yards up Broadway from Battery Park, where the historic Castle Garden, now transformed into a public aquarium, still stands, is Trinity Church. In the small graveyard surrounding it repose the bones of Alexander Hamilton, Capt. Lawrence, of "Don't give up the ship!" memory, and other great historic characters.

When a note is struck on Trinity's chimes it is carried into every office and institution in the Wall Street district, for that district is so small that from Trinity's spire it appears to lie directly beneath. The office of Russell Sage looks right out over the old burying ground, and a dingy office it is, in a dingy building, where this, one of the great money kings of America, sits and cuts his coupons and calls his high-rate loans. Casting their shadows on Trinity when the morning sun rises in the east stand the great office buildings, running over 20 stories in height in some cases, in which some of the great trust companies and banks have invested portions of their enormous surplus and in which they have their homes.

Directly in front of Trinity's bronze portals—the gift of an Astor—opens Wall Street proper, a narrow, asphalted thoroughfare, less than one-third of a mile long and banked on either side with massive stone structures, some of great height. One of these is the Stock Exchange, which also has entrances on Broad Street and New Street, a block or two of which streets may be included in the Wall Street district, as can a block or two of Nassau Street, where a large number of the richest banks and trust companies in the land have their headquarters.

Just across the New Street entrance to the stock exchange stands the Consolidated Exchange, where a stock-gambling game of the same character is carried on, but on a rather smaller scale. Within easy gunshot of both, were it not for the obstruction that the buildings offer, are the Produce Exchange and the Cotton Exchange, where the products of the country, representing the toil of millions of farmers and other workers, are tossed up or down in prices according to the whims or interests of the greedy gamblers.

Strange to say, the most insignificant of all the structures on Wall Street proper—or, at least, the lowest and one which would be the most insignificant were it not for its massiveness—is the subtreasury of the United States, at Wall and Broad Streets. In front of it stands the bronze figure of Washington, on the very spot where he took the oath of office when sworn in as the first President of the United States.

Just across the way is the office of Morgan & Co. The office of the Sugar Trust is down the street a few hundred feet, just beyond the customhouse. In the immediate vicinity of the subtreasury are to be found the offices of the largest private banking houses of this country, the representatives of the foreign houses, and the headquarters of the bullion dealers.

So much by way of explanation as to localities. I propose now briefly to outline the methods by which the millions of honest toilers throughout this country are laid under tribute and their earnings absorbed by this devilfish generally known as Wall Street.

It has been said that if anything is more timid than $1,000,000 it is $2,000,000, and experience has shown that if there is anything more greedy and tyrannical, more insatiate and remorseless than $50,000,000 it is $100,000,000. Enough is an unknown word in the vocabulary of those who own this much capital. Their cry is "More! Ever more!"

The great power and influence of Wall Street, which has doubled and quadrupled and become more and more appalling, was laid during the war, when by the establishment of the national banks

and the control of legislation in their interest, together with the speculations in gold and national securities, a few hundred men, utterly lacking in patriotism and without any regard for the public welfare, seized the Government by the throat and threatened it with bankruptcy and paralysis if their demands were not granted.

Enormous fortunes multiplied. The owner of a million soon found himself possessed of many millions. Money bred money by reason of the violent fluctuations in the national credit as the fortunes of war changed on the battle fields of the South.

The greenbacks, which were the salvation of the Union, were speculated in daily. The National Treasury, under stress of war, was forced to exchange bonds for them, and as soon as the war terminated the schemers set about securing legislation, under the pretense of strengthening the public credit, looking to the payment of the bonds in coin.

This did not satisfy them, however. In a brief time the demonetization of silver followed, and ever since the fell purpose of those who have conspired together has been to force payment in gold.

The national banks have received interest from the Government on the bonds. They have received interest from the people on the notes based on those bonds. Thus the industries of the country have been laid under double tribute for the benefit of these pets. No wonder they have grown rich enough to buy steel yachts while the poor are sweating for a bare living.

The banking business of New York is concentrated in the New York Clearing House, which is simply a trades-union of all the banks, and has palatial quarters within a stone's throw of Wall Street. These 66 banks (63 banks and trust companies in 1912) have aggregate capital of about $61,000,000 ($179,619,000 in 1912), and in addition they have a surplus and accumulated profit of $73,000,000 ($300,145,700 in 1912). They hold on deposit from customers about $490,000,000 ($1,788,619,000 in 1912). They have loaned out at interest about $460,000,000 ($1,946,186,000 in 1913). Their cash on hand consists of about $64,000,000 ($336,335,000 in 1912) in gold and $87,000,000 ($78,044,000 in 1912) in paper money. Their holdings of silver are quite insignificant; for it is an understood practice among them never to offer silver money or silver certificates one to another in payment of balances. The New York Subtreasury is a member of the New York Clearing House, and is equally careful in boycotting silver and never offers it in daily settlements with banks. This notwithstanding the fact that all our Government obligations are payable in coin, silver as well as gold.

The aggregate bank clearings in exchanges of checks for 1895 was $30,000,000,000 ($100,743,967,000 in 1912) in New York City alone. In all the other clearing houses in the country the aggregate for the same time was $23,500,000,000 ($74,170,264,000 in 1912). New York does more money exchanging than all the rest of the country, and the man who handles money takes care that plenty of it sticks to his fingers, and the New York bankers are no exception. The Chemical Bank has for years paid 150 per cent annually on its capital, and another bank has paid 100 per cent, and the average of all is a very high one.

In 1895 the New York Stock Exchange, which is an unchartered body—a mere club, in fact—and entirely independent of the obliga-

tions of a corporation to State and Federal law, bought and sold 66,440,576 shares of stock (131,128,425 in 1912), of an average par value of about $6,000,000,000 ($11,562,129,835 in 1912). In addition $500,000,000 ($675,213,500 bonds of all kinds in 1912) of railroad and State bonds were sold and about $16,000,000 of Government bonds.

The two latter classes of securities are largely dealt in over the counters of banking houses, so the figures do not represent all transactions. Besides, there is another exchange within the Wall Street precinct actively engaged in the same line of manipulation. There are now listed on the New York Stock Exchange a par value of $4,067,210,334 in stocks and $5,122,092,469 in bonds of various classes. In 1895 about $500,000,000 in new issues of securities were placed or sold. Of these, $125,000,000 were purchased abroad and $375,000,000 were purchased or placed here. This includes the Morgan Government-bond syndicate issue of February, 1895. Present par value of stocks and bonds listed not obtainable.

But this is only one phase of the matter. It is only one of the many schemes that have been invented and carried to success by the harpies who frequent the gambling dens known as the stock exchanges. The products of labor throughout the country have been manipulated from Wall Street as a center so that those who produce the wealth receive as little as possible, while the men represented in and by Wall Street have continued to amass wealth at an unexampled rate. Speculation drives prices down when farmers have to sell and drives prices up after the farmers' products have passed into other hands.

Cotton, wheat, and other staples have been governed in prices by futures and not by the natural law of supply and demand. Prices have been raised or depressed as this syndicate of bankers and brokers have sold the market up or down. There are now several hundred industrial trusts, the principal ones being listed in Wall Street. All founded on the simple principle of founding a monopoly, minimizing the cost of production, and forcing the prices to the consumers to the highest possible point.

An illustration or two:

The American Sugar Refining Co. is a New Jersey corporation, intended to monopolize the entire sugar trade of the country, which it most effectually does. It has an outstanding stock issue of $75,000,000. This is supposed to represent the value of their several refineries and tools of trade. It really represents the amount of money on which the sugar barons desire the American people to pay tribute. The Havemeyers and others engaged in the sugar-refining industry in 1887 turned their properties into the Sugar Refineries Co. and took stock in the concern to the extent of two or three times the actual value of their plant.

In other words, according to competent experts, an appraisement of the properties comprising the present company would show an actual value of about $25,000,000. The trust, in order to pay its princely dividends of 1 per cent per month, is extorting from the masses a tribute which would be wholly unnecessary if it were working on an honest basis. Even now it is claimed in Wall Street that the trust has invested in cash no less than $11,000,000 in raw sugars. The management hold their sessions in secret, and no one but the Havemeyers and their intimates are permitted to know anything as

to the profits, investments, or anything else to which stockholders are justly entitled.

Even more outrageous is that great combination of capital known as the Coal Trust.

The entire hard-coal district is comprised within a very limited area. That area is traversed by the lines of 11 railroads, known as "the coalers." They have formed a combine and control absolutely the entire matter of coal consumption. Many of them own large areas of coal lands and are miners as well as transporters. There are a large number of private miners, but they are entirely under control of the roads embracing the coal combine, since they can get no transit to market or tidewater except over these roads.

Once each month the sales agents of these roads meet and fix upon the output of coal for the coming month and the price at which it shall be sold. This combine includes several roads now in the hands of receivers, and therefore under the control of the United States courts.

These roads enter into the agreements and are as greedy for their share of the coal output as any of the others. The output and price is fixed by the weather and the demands of trade, and is generally about as much as the roads think they can squeeze out of the public. The consumption is about 40,000,000 tons a year, so that a rate of only 10 cents a ton means an extra $4,000,000 a year in the pockets of the coal barons. A dollar means $40,000,000 a year.

A private mine owner is compelled to turn over his coal to the railroad company at their price as soon as it comes from his pit. Any attempt on his part to send it to market and sell it at his own price would be met by a refusal to give him cars in which to transport it.

The farmers of the land, representing many millions of people, after long agitation and enormous petitions, have sought in vain to get Congress to stop this nefarious traffic. The cotton, produce, and other exchanges, whose members number less hundreds than there are millions of farmers and persons dependent on farmers, have outweighed in the councils of the Nation at Washington the cry for relief that has come from the sufferers.

Yet there are statutes which make it obligatory upon the Attorney General of the United States to protect the people against these unjust combinations. How many suits has he brought? Not one.

What further proofs do we need that the Government at Washington is absolutely controlled by the money power of Wall Street, and that the President, the Cabinet officers, the Senators—for many of whom seats are purchased—the Congressmen, and the courts are the tools and agents of the octupus which has its tentacles fastened upon the people throughout this vast country, sucking their substance year in and year out.

Following close on the heels of the demonetization of silver came the resumption of specie payments, entailing an enormous contraction of the circulating medium. These two causes have steadily hammered prices down, until to-day they are lower than at any time within the last three centuries. The masses of the producers throughout of the country, the men who create its wealth, are being rapidly pauperized. Farmers who have struggled to obtain homes are driven to the most desperate straits to keep from losing them, or have already lost them, while these financial vampires, who produce noth-

ing, are reveling in wealth undreamed of in any past age of the world's history.

We are rapidly coming to be a country in which what should be a large, well-to-do, contented class of yeomen, such as must ever be the strength of a nation, are hopelessly staggering under burdens of debt, with no prospect of relief—slaves bound to the soil by mortgages.

The growth and development of the United States since the war has been the wonder of the world. One of the most remarkable things in connection with that development has been the expansion in railroad building.

Who owns these roads, and in whose interests are they run? Built, as many of them were originally, by the aggregation of capital in small amounts from genuine stockholders, they have been absorbed in a manner almost phenomenal, until to-day it is safe to say that three-fourths of the railroad mileage of the country is owned and controlled by a few score of men, most of whom have their offices on Wall Street.

How could such things happen, will be asked? They simply stole them; that is all.

The railroads of the land are now represented by a capital stock of $5,150,000,000 ($8,582,463,256 in 1911), a funded or bond debt of $5,700,000,000 ($10,989,608,551 in 1911), and a floating debt of nearly $400,000,000. The gross earnings per year is now about $1,100,000,000 ($2,848,468,965 in 1911), leaving, after paying operating expenses, net earnings of about $325,000,000 ($903,219,137 in 1911). This is divided into interest on bonds of about $235,000,000 per year ($377,973,479 in 1911), and dividends on stock of about $85,000,000 ($316,402,684 in 1911). The passengers carried reach nearly 600,000,000 a year (1,019,658,605 in 1911), and the freight traffic is nearly 700,000,000 (1,817,562,049 in 1911) tons a year.

Every cent of the enormous income from this leading industry of the country comes directly from the people. An examination would show that the money honestly expended in the production of all railroads and their equipments is but a tithe of the capital nominally invested in them; the rest is water, pure and simple; but it figures as "invested capital," as "vested interests," upon which the capitalists claim the protection of the courts and the whole Government machinery, and always get it.

No better illustration of the power exercised by the monopolists is needed than the history of the West Shore enterprise of New York State. The Vanderbilts and their cohorts, up to the time the West Shore road was started, held the merchants and the agriculturists in an iron grasp, dictating rates and conditions for the handling of traffic with absolute despotism. The prospect of a competitive line reaching from New York to the Lakes put the New York Central people on their mettle, and from the very inception of the former measures were taken to crush it out.

After the new line had been completed every obstacle possible was thrown in the way, and the road finally went into bankruptcy, a condition which had been regarded as inevitable by everyone who at the time was acquainted with the tactics of the Vanderbilts. When the West Shore became hopelessly involved, the Vanderbilts, through Mr. J. P. Morgan, gobbled it up at their own price.

Those who had put money into it were crowded out, all competition was crushed, and the business interests of the State placed under the Vanderbilt control as completely as ever. The Vanderbilts and their friends were the only ones who profited by the deal, which is only one of a hundred carried through successfully, despite public sentiment, and without interference from the courts and judges whose duty it was to interfere.

Take another case that is local to New York City:

For years New York City pleaded for rapid-transit facilities, and two companies were created to supply them, one taking the east and one the west side of the city. The Metropolitan road ran up Sixth Avenue and the New York Co. took the Third Avenue route. Each issued stock to the amount of $6,500,000, together with a small lot of bonds. This amount was put in cash in the roads.

Wall Street saw the possibilities of profit in rapid transit, and proceeded to take advantage of it. The first step was to consolidate the two roads, not by adding the two capitals together, making $13,000,000, but by creating a new company, called the Manhattan, merely to take the lease of the other two roads.

This lease had such large prospective earning capacity that it was capitalized at $13,000,000, making a total of $26,000,000, of which one-half was clear water or wind. It represented no investment in the property, and was merely so much stock printed to order, to be unloaded on an innocent public.

For months before the amalgamation of the roads they were the center of a cyclone of vilification and abuse until the stocks were pounded down to 17 cents on the dollar. Once the property had passed into Jay Gould's hands it was manipulated upward until it reached 175, and then in a day, because of a quarrel between Cyrus W. Field and the Gould interest, it fell 20 points.

It has been a favorite gambling stock since then, being specially useful in cases where deals were made with local politicians, they being let in with points on the market in return for the granting of public privileges.

It can not be gainsaid that Congress has legislated steadily in the interest of the corporations and to curtail and restrict the power of the States in controlling the railroads and protecting the small investors and shippers. The machinery of the Federal courts has been the main engine in the robbery and ruin. During the past 30 years, with very few exceptions—and I speak of the exceptions to the honor of the few judges who have withstood the almost overpowering temptations with which they have been beset—the decisions of the Supreme and Circuit Courts have been uniformly against the people and in furtherance of the aims of those who have stolen, under forms of law, the larger portion of this railroad property from its original owners.

The reason why the Federal judiciary has been thus antagonistic to the best interests of the country and to justice is that the judges are almost uniformly selected from among corporation attorneys, and I have no doubt their names have been frequently suggested or dictated to the President for appointment by the corporations.

In addition to this, the raw products hauled to market, together with the manufactured products transported to the interior in exchange, have had to pay freight far in excess of what is reasonable,

in order to yield a fair dividend on the capital originally invested. This in spite of the fact that the interstate-commerce law was passed by Congress essentially with a view to the control of the extortions of railroads in handling freight and to prevent discriminations and rebates.

The United States Treasury is run as though it were a private corporation. The Secretary of the Treasury goes to New York when called upon by his masters to receive instructions. His deputies are constant visitors at the offices of the men who control the Treasury from this city.

It is notorious—at least, it was generally reported in the newspapers—that Mr. Cleveland, in the early part of 1893, said that Wall Street had the country by the throat. We would have naturally looked to a man who appreciated that fact, and who sought to loosen Wall Street's grip on the country's throat, to have selected other advisers than men who are the leaders and directors in Wall Street.

But he coolly and deliberately opened the doors of the Treasury and bid those leaders in Wall Street enter and work their own sweet will.

There have already been issued $262,000,000 of bonds to add to the burdens of the already desperate taxpayers, and the end is not yet. Still, we are told that the financial question will not be an issue in the next campaign.

The best illustration of the existing conditions, and one which will appeal directly to every farmer in the United States, is a picture which I will draw. The idea, however, is not original with me.

Spread the map of the United States before you. Let us consider, for the purpose of illustration, that there is an enormous milch cow, so large that she can reach halfway across the continent. Suppose her mouth to be in the Mississippi Valley, and see the myriad wagons and freight trains of that granary of the world in motion to transport into her capacious maw all the surplus products of the farms of the South and West.

It is a never-ending stream, and the sturdy toilers in the field, with brawny arms and sun-browned, toil-stained faces, push forward with the products of their labor to satisfy her omniverous appetite.

So much food should produce some milk. But where is her udder? Stretch one of her legs back in the usual attitude for milking, so that it will rest in New England. The other hind leg will rest in New Jersey.

The bag hangs over Manhattan Island. See the streams of rich, golden milk drawn from the udder of that great cow. The farmers feed and ever feed. The milk streams into the receptacles of the capitalists—the bankers, brokers, and speculators of Wall Street.

How much longer, O benighted sons of toil, will you feed that cow? You are getting no milk. How much longer will you vote like dumb, driven cattle, without considering why you vote or for whom you vote?

Let us reverse this picture. The last Congress, after a bitter struggle, passed an income-tax measure. The idea was to have wealth bear some proportionate share of the burdens of government. From those who had much it was intended to take just a little.

Congress turned the great milch cow around and placed her head in New York and her udder at Washington. What happened? The Supreme Court of the United States took the cow by the throat, choked it to death, and the poor farmers standing at gaze have not yet recovered from their amazement.

No milk!

How much longer will the farmers submit to have the Supreme Court, which has become the tool and instrument of the oppressors, make the few more wealthy and the millions poorer?

On this very island of Manhattan an Astor owns 11,000 houses, I have been told. We are asked to fortify New York Harbor to protect this property from destruction by a hostile fleet. Astor has quitted his country and moved to England, but the Supreme Court of the United States tells us we can not tax his income on his New York property.

When will the American people have enough?

BENJAMIN R. TILLMAN.

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The United States Commerce Court

An Article

Relating to the mission of the United States Commerce Court, the benefit derived by the people therefrom, opposing its abolition, and favoring an extension of its jurisdiction

By

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Of Louisiana

PRESENTED BY MR. BRYAN

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THE UNITED STATES COMMERCE COURT.

More than a quarter of a century ago the great body of shippers of the country began a movement to regulate freight charges by having Congress formulate into law the constitutional power vested in it to regulate interstate and foreign commerce.

Generally speaking, the entire body of shippers favored such legislation. Arrayed on the other side, protesting against such exercise of power or its delegation by Congress, were the common carriers, principally the railroads.

The reason for this movement on the part of the shippers was due to the intolerable conditions which acted as a restraint of fair trade through concessions made by these carriers in the shape of rebates in favor of one shipper as against a competing shipper, and in a more extended way in behalf of one community favored by the carrier as against a competing community.

This marked discrimination had resulted in a species of favoritism which built up the fortunes of the favorite shipper and the favored community and unjustly destroyed the business of the shipper and the community that did not bask in the gracious smiles of the railroads, and these were compelled, for lack of law on the subject, to see their business destroyed and that of their favored rivals advanced and upbuilded.

Let three facts be ever kept in mind as we study this question:

First. Originally no Commerce Court was created. Subsequently, however, a central court known by that name was organized under act of Congress, vacancies at the expiration of the term of each judge to be filled by the Chief Justice of the Supreme Court of the United States, selected from the body of the country's judiciary. The power was granted to this court to review the law of the orders of the Interstate Commerce Commission.

Second. The Commerce Court is not an appellate court, but an original court convened to review the law of the orders of the Interstate Commerce Commission.

Third. The Interstate Commerce Commission is not a court, and some court must necessarily have original jurisdiction to review the law of the commission's orders before final judgment by the Supreme Court of the United States.

The first act of Congress, in 1887, to regulate commerce was a step in the right direction; but it did not reach far enough to relieve, in the slightest, most of the shippers and communities from the evils from which they were suffering. It was soon found that the Interstate Commerce Commission, created under this law, needed more power than Congress had granted to it. In June of 1906 the Hepburn law was passed, granting the Interstate Commerce Commission

the power to fix rates. A penalty also attached to the failure of the carrier to comply with the orders of the commission; so that while theretofore the commission had been compelled to sue for the enforcement of its orders, now it became necessary for the carriers to sue and arrest the orders of the commission when the carriers found fault with such orders. Still lacking, however, was a central forum with authority, under the law, to review the questions of law upon which the orders of the Interstate Commerce Commission could be reviewed. The jurisdiction to review such orders was vested in the various circuit courts of the country, and there being many of them, a carrier against which an order had issued requiring the performance of certain things or the abstention from discriminating against certain shippers or communities was privileged to invoke the jurisdiction of the circuit court of its principal place of business.

There was, in the absence of a central court, no question as to the wisdom of Congress in compelling the carrier to go into the circuit of its principal operating office. The operation of the law, however, made it extremely difficult for the complaining shipper and for the Interstate Commerce Commission itself to properly present the case of the Government, as many of these jurisdictions are remotely located from the central body, the Interstate Commerce Commission, which issued the order.

To illustrate the hardships from which both the complaining shipper and the Interstate Commerce Commission suffered, let attention be called to the statement of a former attorney of the commission before the House Judiciary Committee, that the first case which he had was an injunction issued against the commission in California. Bear in mind that under the law the commission is required to reply to the motion for injunction within five days after it issues. California is five days' distance from Washington, so that the attorney to whom reference is made stated that he had to board the first train going to California without opportunity to consult with the commission, without opportunity to examine law authorities as to the question of law involved in the injunction, but had just time to reach the court in California on the final day granted the commission to file its answer. He pointed out the difficulties surrounding his movements and the impossibility, at that distance from Washington, to advise with the commission or to provide opportunities to examine the legal authorities upon the point of law involved in the injunction.

This is cited simply as an example of the difficult situation of the old circuit court jurisdiction, under which the commission and the shippers labored.

Prior to the Hepburn Act injunctions were seldom—and, in fact, hardly ever—resorted to, because of the fact that, under the old act, it was incumbent upon the commission to resort to the courts to enforce its orders, and therefore the carriers were universally defendants. After the passage of the Hepburn Act, which included in its scope a penal clause, the railroads had to submit to the orders of the commission or make themselves amenable to indictment for failure to comply with the orders; hence, to continue to do the thing prohibited by the commission, as the result of its order, and still escape the penalty imposed by law, it became necessary for the railroads to resort to writs of injunction. That they did, and lavishly, too. Aside from the difficulties just recited, the expenses to the

Government and the shippers were enormous. The inconveniences to all parties concerned, save the railroads, were unbearable. The delays were fearful. This situation became so aggravated that a central court, known as the Commerce Court, was, in 1910, organized under an act of Congress.

Now, under the law, an order of the commission lives for two years from the date of its issuance. Delay in trying injunctions on account of this scattered jurisdiction was such that the railroads were often able, even though they lost their case when finally decided by the Supreme Court, to entirely defeat the order of the commission by simply dragging the trial beyond the two-year limit—the life of the order. Thus it frequently occurred that while the carrier lost its case by the decision, it had won it through the courts' delay. It was a case of "heads I win, tails you lose" that the carriers were playing with the commission and the shippers.

True it is that the Supreme Court took the position that even though the order complained of had lapsed and under the law no longer existed, and that the decision rendered by that high court was, so far as the particular order complained of, of no value, yet, in order to facilitate the workings of the Interstate Commerce Commission, the court proceeded to render judgment in such cases so as to afford the commission and the railroads precedent for the future guidance of the one and as a warning to the other not to resort to such writs in similar future cases.

One would naturally think that the commission could reissue the order after it had won its case before the Supreme Court, but under the terms of the law that could not be, for the reason that one of the rights reserved to the courts in reviewing the orders of the commission is that there shall be some evidence before the commission upon which the given order issued. This is a just provision of the law. But it must be admitted, at the same time, that in cases such as above just recited it compels the commission to reopen the entire matter and take up the entire question in order to reissue the order maintained by the Supreme Court the commission had a right to issue.

Now, as these orders apply to all railroads upon which the traffic is carried from the shipping point to the point of destination, it was an easy matter, when the order was reissued by the commission, for an affected railroad other than the one which secured the first injunction to resort to another injunction in another circuit court, and by simply alleging some differences as between its contention with the commission as compared with the contention of the other railroad which obtained the first injunction, which the Supreme Court had already decided, by dragging the suit in the courts to thus escape altogether the commission's order.

Thus it was that the shippers found it difficult to enforce their rights, even though the commission—in which all shippers have, let me add, every confidence—was striving to the full extent of the power vested in it to afford them the relief which they asked.

Then, too, in the latter case two years' lapse of time changed transportation conditions, and that of itself permitted the reinvocation of the injunction power of the court on the part of the railroads.

No sooner had been passed the act creating the Commerce Court, compelling all railroads to get into one court for the trials of in-

junctions against the commission, when the railroads began to plead in that court for a broad review of the orders of the Interstate Commerce Commission.

The first session of the Commerce Court was held in April of 1911. The Attorney General, acting for the Government and, of course, for the Interstate Commerce Commission, contended for a narrow jurisdiction, and this alarmed, naturally, the representatives of the railroads throughout the United States.

Mr. Alfred P. Thom voluntarily appeared before the court as a member of the advisory committee, representing "a very large proportion of the railroad mileage of the United States," and stated that his committee represented nearly 100,000 miles of the mileage of the railroads.

He appeared, he said, in behalf of this committee representing these railroads, and "the vastness of the issue," to use his language, "and its vital influence upon the future of the court and upon the future of the administration of these propositions is such that we felt that we would be justified in asking to be allowed to appear and to be heard upon the extent to which the Commerce Court has jurisdiction to enjoin an order of the Interstate Commerce Commission * * * to throw any light we may be able to throw upon this vital question in its formative period."

The Attorney General's office offered no objection, and not only Mr. Thom, who is the general counsel of the Southern Railway, but Mr. Walker D. Hines, chairman of the executive committee of the Atchison, Topeka & Santa Fe Railway system, asked for 10 days in which to file printed briefs.

In the Procter & Gamble case some of the railroad companies filed answers contending that the court had no jurisdiction, but subsequently they withdrew these objections and contended for the broadest of court review of all orders of the commission, administrative or otherwise, including the power to inquire into and determine the facts in each particular case as well as the law involved in the orders of the commission.

Mr. Hines argued—

> It is inconsistent with our principles of government to make such a tribunal—the Interstate Commerce Commission—the final judge either on the facts or the law as to matters which are within its power. * * * It is the duty of a court to inquire into and to determine the facts on which the proper determination of a constitutional right depends.

Another counsel of the railroad urged that the court had power to enjoin the findings of the commission granting reparation to a shipper, even though the statute otherwise provided for the disposition of such findings.

Still another counsel of the railroad contended that the power of the court was broad enough to annul an order of the commission appointing an examiner to take testimony and to enjoin such examiner from proceeding in the investigation before the commission.

It was repeatedly and strenuously argued, that, despite decisions of the Supreme Court to the contrary, which were declared mere dicta and without binding force, regardless of what the law was, the courts would in time sustain their arguments and that the law must ultimately be thus changed in their favor by judicial construction.

The decision of the Supreme Court in the Procter & Gamble case sets at rest all of these contentions.

Now, it is apparent for what purpose the railroads contended for this broad review. When the jurisdiction to review orders of the commission was in the circuit courts the railroads were able, by adroitly invoking the power of injunction in that circuit court whose docket was crowded with cases, or which was at great distance and inconvenient for the commission and the Attorney General's office, to so delay matters as to escape, for the greater part, the effect of the order given against them by the commission; and in some cases they were enabled to entirely evade such orders through delays in the courts.

As this jurisdiction, by the act of 1910, had been focused in a central court, they at once saw there would be expedition in the trial of these cases and that expedition meant effectiveness in the commission and quick compulsory obedience to just orders issued by that body.

It was but natural that they should desire the review as broad as possible, because the broader the review the longer it would take to determine the case, and the longer the case dragged in the courts the more beneficial it was to the railroads. Thus we find them pleading for a review of the facts in the face of the specific declaration of Congress. The review of the facts upon which the commission issued the order reopened the entire case and permitted delays which must prove beneficial—very beneficial—to their interests and injurious—very injurious—to the shippers.

The Procter & Gamble decision set at rest these contentions and thereafter cases were more quickly disposed of by the courts, much to the distress of the carriers, as they were resisting in every way the enforcement of orders of the commission. But, while settling this matter properly, the Proctor & Gamble case went further and decided that the act of Congress, while conferring the right of review of the law involved in affirmative orders, which are universally directed against the carrier, it did not recognize such a right of review of the law on what are known as "negative orders," which are simply refusals, on the part of the commission, to grant the request of the complaining shipper or the complaining community and to order the carrier against which the complaint is directed to do the thing prayed for or to desist from doing the thing complained of.

The great body of shippers throughout the country at once began to petition Congress to amend the law so as to give them a day in court. Since the Procter & Gamble decision they have in vain petitioned Congress day after day to have the law of orders against them reviewable by the courts. Many bills have been introduced and one of them, at least, the Borland bill of the last Congress, was reported upon favorably by the Judiciary Committee, but too late in the session to permit its consideration. Coincident with this movement of the shippers was inaugurated a countermovement looking to the abolishment of the Commerce Court. No one seems to be able to explain its origin. All that is known is that the movement is active and virile, and appears on the eve of success.

Now, there are 86 district courts, and the bills which have been introduced looking to the abolishment of the Commerce Court and

vesting its jurisdiction in the district courts leaves it optional with the railroads to enjoin orders of the commission in any court where extending the lines of the complaining carrier or carriers; nay, more, any court through which the traffic travels.

The campaign to carry out this idea has been managed very adroitly. It has not been a campaign in the open, nor have those who are directing it revealed themselves, nor have they focused the attention of the public upon the real object which they seek.

In the Procter & Gamble case the Commerce Court declared, as every shipper believed it was recited in the law, that it had the right to review the law where the commission declined to issue an order or issued what is commonly known as a "negative order." This was clearly in the interest of the shipper. It was that for which the shipper contended. The shipper believed he had been accorded this right when he secured at the hands of Congress the right of court review of the orders of the Interstate Commerce Commission. There seemed nothing more illogical than to say that Congress, acting at the behest of shippers to remove the inequalities of freight charges, having created a commission and a court, would grant to the railroads, which had opposed the creation of both, the right to enter a court and contest the legality of an order issued against it, and yet under the same conditions would deprive the shipper of the same right.

Still the question was not so much of justice, in so far as the courts were concerned, as of written law, and the Supreme Court found that there was no such authority in the law creating the commission and vesting jurisdiction of review in the courts.

Now, one would think that the railroads theretofore pleading for broad review would have applauded this decision of the Commerce Court. Instead, they adroitly turned the attention of the country to what they claimed was the disposition of the Commerce Court to enlarge its power of review beyond the scope contemplated by Congress. They claimed that in doing so the court sought to encroach upon the power of the commission, that it sought to supplant the judgment of the commission with its own judgment, and immediately war was started upon these lines. In truth, the shippers were those who had the right to complain and did complain, not that the Supreme Court had reversed the Commerce Court, but at the failure of Congress to give them the same right of review in the courts which it had given to the railroads. So vociferous and insistent were these charges made and reiterated that the entire situation become obscure. Prejudice and suspicion against the court became general. Its every act was misconstrued; it was daily attacked; its life was demanded; its existence must be suppressed. It is very easy for anyone who has given thought to the matter to appreciate from what quarter these contentions came. Clearly, the railroads, which at first had pleaded for this broad review, were not in a position subsequently to criticize the court because it had sought to give a review beyond the letter of the law. Clearly, the shippers who were and are now demanding a right for the review of "negative orders" could have no complaint that the Commerce Court, upon their contention, had interpreted their power to mean that they could review the law of such "negative orders." The purpose of the

movement was obvious. The railroads, having been driven into one court, and finding that there was promptness in decision which gave equal justice in an expeditious way, finding that they were unable to have that court review the facts of the case in order to prolong the litigation, were attracting the attention of the public, in prejudice against the court, hoping that it would be destroyed and its jurisdiction scattered to the four winds of the Republic and opening to them every district court of the United States. The necessary and unnecessary court delays obviously retard the enforcement of the orders of the commission, resulting in advantage to the carriers, and to the carriers alone. "It now takes that court about nine months to make effective an order of the commission, once an injunction has been granted," says the railroads. Under the circuit-court system, it took more than 21 months, on an average. The average period of 9 months, which it now takes under the central-court system of review, is being gradually shortened, as the jurisdiction of that court becomes better known and the questions involved in the law regulation transportation are better understood by the judges.

Take that jurisdiction and scatter it in the 86 different district courts. This will be the result: That the average time for determining these matters in court will be even more than 21 months, as formerly under the circuit-court jurisdiction. But, as the order of the Interstate Commerce Commission lives but 24 months, the contest over any order of the commission by the railroad simply securing an injunction from any one of the district courts in the United States, it will be easily able to suspend indefinitely the enjoined order of the commission.

It is not so much the court that the railroads would like to destroy, but they easily understand that the destruction of the central court of review is the destruction of the commission itself.

If a system of judicial trial can require more time to dispose of the law of an order than the life of the order itself, clearly, then, no contested order of the commission can ever become effective, and the commission is converted from a rate-making body into an arbitration body without power to enforce its orders. Only those orders of the commission as are consented to by the railroads themselves can be made effective. All others must fail.

This is a return for the railroads to the good old days of rampant discrimination by rebate for and against shippers and communities carried on in contravention of the law and justice and fair play, even in face of positive orders of the commission, by the medium of simply dragging, through the invocation of the power of the writ of injunction, the commission's orders into the court to be finally decided only after the orders themselves have died.

The recall of the Commerce Court by those who seek to recall it has not been, as I have said, an open fight. Twice in the last Congress jokers were placed in appropriation bills to abolish the court and vest its jurisdiction in the United States district courts. Such method of legislation is not approved by right-thinking people. Twice the President has been compelled to veto appropriation bills because of these jokers. One of them carried even a recall of the judges. At this very second this latter proposition is embodied in an appropriation bill which has already passed the House and been

favorably reported to the Senate. So we see exercised through an inorderly system of legislating the vicious doctrine of the recall of courts and of the recall of judges.

Now, how was this last attempt against the court brought about? Eleven of the 21 members of the Interstate and Foreign Commerce Committee petitioned the Appropriations Committee to include in the pending deficiency bill a provision recalling this court. The bill itself providing for this was submitted to the committee. It was known as the Sims bill. It was introduced by Mr. Sims, of Tennessee, referred to the Interstate and Foreign Commerce Committee, of which he is a member, and though this committee is not permitted except by unanimous or caucus consent to report any bills at this time, nevertheless, by a majority of one of that committee, by way of petition, forwarded the Sims bill to the Appropriations Committee of the House, with the request that it again be made a joker in the pending deficiency bill.

A mere glance at the provisions of this bill as recommended shows that in transferring the jurisdiction of the Commerce Court no provision was made to review the orders of the commission in cases pending before the Supreme Court. There were 20 such cases, of which 5 have already been argued and taken under advisement by the Supreme Court. Thus it is seen that in this inorderly way of legislating, through the exercise of this vicious principle of the recall of courts, it was proposed to embody another method of recall which has yet found no defendant even among the most radical of our citizenship, to wit: To take out of the hands of the Supreme Court of the United States, nolens volens, cases already tried, the expenses of which have already been incurred, some already argued and submitted to that court, and others waiting on the docket for argument and submission. It was proposed to jerk these cases from the hands of the highest tribunal in the land, outlaw them from the court in disregard of the law creating the commission, and of the right of the vast body of our citizens interested in their final adjudication.

Many of these cases are injunctions resorted to by the Standard Oil Co. and other oil companies, and the others by railroads, all attacking orders of the Interstate Commerce Commission, seeking to relieve the public of extortion. If that bill had been considered deliberately by a committee, having knowledge of the subject matter, no such error would have been committed. This but accentuates the subterfuge by which it is proposed to recall the court and the danger of this inorderly method of legislation. Who are they who would recall this court?

Not President Wilson; he has recommended that an appropriation be made for the continuance of the court for the fiscal year ending June 30, 1914.

Not the Attorney General. So far from advocating the recall of this court, he is an open and avowed advocate of the retention of the court and of the extension of its jurisdiction so as to relieve the Supreme Court of its crowded docket. That court needs relief. It decided last year 574 cases and left 604 on its docket upon its recent adjournment.

Not the Interstate Commerce Commission; for, while that commission, with proper delicacy, has always declined to indicate what tribunal should review its orders, yet every individual member of the

commission who has so far spoken, has favored the retention of the court. They easily understand that the abolition of the court will destroy the usefulness of the commission.

Not the shippers of the country. They have appeared through counsel and representatives and committees, by letters, telegrams, and petitions. They have thus appeared before committees of Congress, personally or through representatives, by hundreds and thousands, asking not only for the continuance of the court, but that further and more jurisdiction be given to it.

None of these would be benefited by such abolition of the court. Who then would be benefited? To answer this is to discover what heretofore has been concealed—those who would recall the court.

What are the arguments advanced for the abolishment of the court? By some it is claimed to be a useless court; by others that it hampers the commission in the performance of its duties. Still others contend that it is a useless expense to the country. And, again, it is urged that the court is of prorailroad proclivities. These are the arguments that have been advanced for its abolishment.

A court can not be said to be useless that expedites the public business and hastens the distribution of justice among all the people.

It can not be said to hamper the commission, for, since its creation, orders of the commission have been put into much quicker operation than they had been under the old system.

It is not a prorailroad court beyond that quality found in it, fixed by the law. How can a court be viewed in any other light than as favoring one class of people when only that class is permitted to enter its portals from which all other classes are excluded? And right here it may be proper to remark that the failure of Congress to permit shippers a day in that court has had much to do with its unpopularity. A man who knows he can be hailed into a tribunal when it is decided he is right, and yet he is religiously excluded from that tribunal whenever he is held in the wrong, is apt to visit the feeling of injustice under which he labors upon the court itself instead of upon the law compelling that court to so act. This has been very cunningly used by those who wish to abolish the court to prejudice the public against the court. The Commerce Court has not reversed the commission more times than has the Supreme Court itself, and it has reversed the commission less times than formerly did the circuit courts.

It is testified before the Judiciary Committee of the House by United States Assistant Attorney General Denison that the orders of the commission were upheld by the circuit courts in only 42 per cent of the cases, by the Supreme Court in 56 per cent, and by the Commerce Court in 67 per cent.

Apart from the delay already referred to, how would the district court jurisdiction operate? To obtain an order under the Sims amended bill, which is the new rider pending in Congress for the abolition of the court, it is contemplated that, upon the issuance by the commission of an order against the carrier, the carrier may go into any district through which the freight moves, when the judge of that district shall call two other United States judges. If the injunction order is granted, then this special court of three judges shall be constituted to try the injunction. Attorneys for the Government will have to rush to the point where the injunction issued, file answer

within five days, and try the injunction. After all the Commerce Court is not abolished. It is only the substitution of 86 commerce courts for the one proposed to be abolished. In order to meet these injunctions throughout the country it will be necessary for the Government to employ a small army of attorneys. Inconveniences will be felt, enormous expenses incurred, hasty answers prepared and filed, and in fact entirely confusing methods pursued. Under this system attorneys representing the Government will have more use for traveling cases than bookcases, and more need of sleeping-car accommodations than office accommodations.

Under present conditions the Interstate Commerce Commission, with national jurisdiction, is centered at Washington. The Supreme Court, which must finally pass upon such questions as it decides, is also a national body and centered at Washington. The court of original review jurisdiction should be a national body and likewise centered at Washington. The Commerce Court is such a court. No one is inconvenienced. The Government needs but few attorneys to attend to the business before that court. No traveling expenses are incurred. Libraries are at hand and easy of access. A small trained force is continually in attendance upon that court, and the people necessarily secure the most advantageous presentation of their side of all cases in their contentions against the railroads. Pray! why should the Government go to defend its citizens against injustice where the corporation, its creature, may beckon? Rather, why should not the creature—the corporation—accommodate itself to the convenience of its sovereign, the Government? Why?

As an example of this method let us assume that there was no Commerce Court when the tap-line cases were decided by the Interstate Commerce Commission. It would have been found possible to enjoin the commission in the State courts of Louisiana and in as many Federal courts as the country's lumber traffic moves. It is the opinion, testified to before the Judiciary Committee of the House from the office of the Attorney General, that it would have taken five years to finally pass upon the law of these cases. It is in evidence before the Judiciary Committee of the House, from the Attorney General's office, that in the intermountain case, under the bill proposed by Representative Sims and now part of the pending deficiency bill, resort could have been had in any court between the Atlantic and Pacific coasts or in substantially every district court in the United States. There were 20 railroads involved in this injunction, and each and every one of them could have secured an injunction in a separate court. Until the determination of these cases the order would have remained suspended. It is safe to say that it would have taken more than two years to dispose of this case. Yet this case was filed before the Commerce Court in October, argued, submitted, and decided there, and argued before the United States Supreme Court in the following February.

In the water-line cases there were some 150 water carriers involved, injunction having been resorted to as to four of them being consolidated in one case; the order was suspended as to all of them pending the determination of the injunction.

In the pipe-line case suit could have been brought in each of the States of Kansas, Louisiana, Ohio, Pennsylvania, New Jersey, and New York.

It is in evidence before the Judiciary Committee (House) that in a case arising over the shipping of Florida fruits and vegetables from southern Florida injunction can be resorted to in any court between Key West and Port Barrow, in northern Alaska.

In the Nashville discriminating case—a contest between the citizens of Nashville and the citizens of Atlanta—injunction could have been resorted to under the provisions of the pending deficiency bill in either court of the districts in which these cities are located, though the contention itself was a rivalry between the two cities, a very undesirable and unsatisfactory situation.

The California lemon case could have been tried in any district court between California and New York. With the Commerce Court in existence these many cases, in each instance, were consolidated and tried as one. The economy of time and money is at once apparent.

In the Shreveport case, which was a contest between the railroad commissions of Louisiana and Texas, resort would have been had in one of the courts in Texas or in one of the courts in Louisiana. Would that have been desirable?

Does anyone believe that these cases would have been tried as promptly and with as little bias as they were tried in the Commerce Court?

Now, who will benefit by such confusion as is now proposed? Clearly not the shippers of the country, and it is equally clear that the effectiveness of the commission, instead of being enhanced by such a change of jurisdiction, must be hampered necessarily if its usefulness is not absolutely destroyed. Many who have thought over this subject believe that it is but an effort on the part of some of the carriers of the country to escape supervision from the commission; though many other carriers, not very profitable in recent years, have gone into this movement with a view of returning to the old system which will benefit their stockholders or so impair the regulation of them as to create universal dissatisfaction with private ownership of railroads, and thereby force the sentiment for the Government to acquire and operate them under Federal ownership. Not all of the railroads have joined in this movement. Some of them are satisfied that the regulations to which they must submit under the law is just; that the rapidity with which their complaints are decided since the establishment of the Commerce Court aids the legitimate adjustment of their rates so as to deal fairly with its patrons.

As an example of this let me quote from a letter written by the vice president and general counsel of one of the New England railroads. The quotation is used with the consent of the recipient of the letter.

In part, it reads as follows:

> I have thought of you frequently during these last months, and of what seems to me an unwise and unjust action by Congress in attempting to terminate the Commerce Court. From the standpoint of a railroad man, perhaps I ought to be glad that we can go back to the district courts and have all of the delays and confusions arising from congested dockets and different lines of decisions, but I hope that my sense of duty as a citizen overtops my railroad prejudices.

Before the Senate Appropriations Committee Mr. Thom, of the Southern Railway, expressed similar sentiments in most forcible style.

This move to abolish the Commerce Court is a retroactive step—the most retroactive one which has for many years been taken in Congress. It is fraught with much ill for the great body of the American people. It is sought to so hamper the proper regulation of transportation lines as to permit undue advantages to be given to favorite individuals and communities over other individuals and communities.

Under it lies the opportunity for return to the days of rebate, in all their confusion and with all their unjust practices. It will afford an opportunity for undue profits in railroad stocks. It will manifestly destroy the usefulness—nay, the very life—of the Interstate Commerce Commission, and will result in a general public demand that the Government acquire the railroads of the country.

What the people of this country demand at the hands of Congress is not the abolishment of the Commerce Court and the recall of its judges, but the extension of the jurisdiction of that court, so that the great shipping public may have its day in that court, just as Congress had graciously granted this just right to the railroads, so that it might have jurisdiction over certain classes of cases like insular cases, patent cases, appeals from the Court of Claims, bankruptcy cases, Canal Zone cases, and appeals by railroads in the matter of the physical valuation of their property, so as to relieve the Supreme Court of its crowded docket.

And the people will not be satisfied should Congress hand them a stone when they ask for bread.

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South American Trade—An Opportunity but Not a Special Privilege

An Address

Before the New Orleans Association of Commerce

New Orleans, Louisiana, December 3, 1914

By

FAIRFAX HARRISON

President, Southern Railway Company

[illegible] Economics,
Washington

SOUTH AMERICAN TRADE—AN OPPORTUNITY BUT NOT A SPECIAL PRIVILEGE

Efforts to increase exports from the United States to the countries of Central and South America have been part of the foreign policy of every administration at Washington since the first Pan-American Conference, more than twenty years ago.

During all that time—through the Pan-American Union and its publications, through commercial organizations of various kinds, and through the newspapers and magazines—a continuous propaganda in the interest of increased exports to the Latin-American countries has been carried on. The net result has been that, in the fiscal year ended June 30, 1914, sales of goods from the United States to all the countries south of Mexico, except Panama—the foreign trade of which has been largely incidental to the digging of the Canal—amounted to less than one-quarter of the value of our exports to the United Kingdom of Great Britain and Ireland, and our sales to the little country of Holland were approximately of the same value as to all the enormous territory embraced in Argentina, Brazil, Colombia, Peru, and Uruguay.

These comparisons might be thought to indicate that the campaign for Latin-American trade has been without results: but this is not wholly true, for, while our exports to Central and South America are relatively small, the trade is growing. In the ten years from 1904 to 1914, exports to Central and South American countries, exclusive of Panama, increased 141 per cent, as compared with an increase of but 59 per cent in exports to all the other countries of the world.

Large as the percentage of increase has been, however, it has not kept pace with the growing demand which has resulted from the great material development which has taken place in many of the countries, for, of the total imports into the Central and South American countries, exclusive of Panama, less than 14 per cent are from the United States. Analyzing the figures more closely, we find that the Central American countries, with relatively very small imports,—slightly over $35,000,000 per year—buy 48 per cent of their foreign purchases in the United States, while the South American countries, with total imports amounting, in round numbers, to $1,029,000,000 per year, buy only 12 per cent from the United States. The remaining 88 per cent of imports into the South American countries have, heretofore, been drawn almost entirely from

Europe and have been made up very largely of commodities that can be successfully produced in the United States.

The practical problem confronting the manufacturers and merchants of this country, and especially those of the Southern States, with their advantageous geographical relation to Central and South America, is that of selling to those countries a larger percentage of the goods which they buy abroad.

At the moment our people have two important advantages with respect to this trade. One is the opening of the Panama Canal, bringing the markets of the Pacific Coast of Central and South America into closer relation with our Atlantic and Gulf ports. The other is the European war, which has, for the time being, curtailed manufacturing in the principal countries of Europe, thrown their finances into disorder, and disarranged the ocean carrying trade of the world. These great events in the world drama have caught the imagination of the American people, but it is unfortunate that many of us have assumed that they have created for us a special privilege. The fact is that they have created for us an opportunity, but it is only another opportunity to win the rewards which follow sustained and intelligent effort.

The South American countries have heretofore bought largely, in the order named, from Great Britain, Germany, and France, three of the nations now involved in war. Because the war has practically stopped shipments from Germany and has greatly reduced those from Great Britain and France, the actual situation presents, as I have said, a notable opportunity for the manufacturers and merchants of the United States: but we should not be deceived into believing that South American trade is a plum ready to fall into our hands without our even taking the trouble to shake the tree. A large and profitable business with those countries can be built up, but, like everything else worth having, it can be secured only by persistent and continued effort.

If this effort is to be made along the most intelligent lines, we should first dispose of some of the fallacies relative to our trade with the South American countries which seem to be rooted in the popular mind. First of these is the assumption that products of the United States have not heretofore made much progress in the South American markets. The fallacy of this is shown by the increase in 10 years of 141 per cent, to which I have already referred. Other fallacies are that our manufacturers and merchants will not conform to the South American system of credits, that they will not pack their goods so as to meet the requirements of transportation to South American ports

and inland carriage from those ports, and that there is a lack of steamship facilities between our ports and those of South America. The answer in each case is the increase of 141 per cent in business actually done. Those of our exporters who have made a serious effort to secure South American trade have conformed to the South American system of credits—indeed, it is one of the difficulties of the present situation, that, in many cases in the past, they have done so to their cost, for when the long-time credits which they gave have matured, they have been met by requests for extensions and even by absolute failure to pay. Those who have gone into the trade and stayed in it know all about the requirements for packing for each particular market down to the smallest detail. There are regular lines of steamers from New York to all of the principal South American countries and lines from other Atlantic and Gulf ports to some of them, and, under normal conditions, there has never been any great difficulty in securing a tramp steamer at any port for a solid cargo.

There have been more serious obstacles to a larger development of trade to the Central and South American countries than the alleged conditions relative to credits, packing, and shipping facilities. The first of these is the fact that relatively few of our manufacturers and merchants have had an effective desire to get into that trade. In view of the universal acclaim which greets every movement that is inaugurated in the interest of developing this trade, this may seem like a broad statement: but, when I say that many of our manufacturers and merchants do not have an effective desire to engage in this trade, what I mean is that they do not want it enough to go after it and get it and hold it by the only means by which it can be obtained and held—persistent and intelligent effort. The fact is, that, when business conditions in the United States are normal, our home demand has been such that many manufacturers have had no difficulty in disposing of their entire output in the home market. They would be glad to sell goods in the South American markets if the prices were just right and the business came to them without serious effort on their part, but, in such times, they do not need this business enough to spur them on to make any serious effort to get it. It is only in times of business depression in the United States that they feel a serious need for broader foreign markets.

Wonderful as the development of manufacturing in the United States has been, we can as yet, under normal business conditions, spare only 4½ per cent of our manufactured and partly manufactured goods for export, whereas, under normal conditions, the great industrial na-

tions of England, Germany, France, Belgium and Holland must look to foreign markets for the sale of 60 per cent of their manufactured goods. In other words, one of the reasons why these European countries have outdistanced the United States in the competition for the markets of South America is that the European manufacturer needs those markets much more than his competitor in the United States and more than we will need them until we manufacture at home a larger percentage of our raw materials and correspondingly increase our production of manufactured goods. I may illustrate this by referring to cotton. Taking one year with another, about two-thirds of the cotton crop of the South is exported in the form of raw cotton, and fabrics made of this fibre make up a large percentage of the total shipments from European countries to South America. Obviously, if we are to secure any greatly enlarged proportion of the cotton goods trade of those countries, we must keep more of our cotton at home and manufacture the goods here.

The system that has prevailed in some lines, of having goods handled solely by commission merchants, has doubtless been less favorable to the development of South American trade than would be a system of direct selling. Like some of the rest of us, the commission merchants often find it necessary or expedient to conduct their business in the interest of the immediate tangible profit rather than the interest of building an enduring, and so an ultimately more profitable, commerce. In the South American trade, I am informed, this practice has operated so to increase the final selling prices in South American markets that the competition of American manufactures with European goods has been put at a disadvantage for which the American manufacturer is not, himself, responsible. I do not criticize the commission merchants, for I appreciate what their own problem has been, but I venture to suggest that they are only pioneers and that the largest use of our present opportunity must be based on another system of trade. The industry proposing to enter the South American trade can undoubtedly secure the largest results if it will send its own selling force into the field, or, what is perhaps necessary in many cases, organize with others in allied lines of business for co-operative, but direct, representation.

La Prensa, the leading newspaper of Buenos Aires, discussing this subject in a recent issue illustrated the advantage of direct selling as follows:

> "A piece of agricultural machinery which an American manufacturer prepares for export and delivers on board in New York, free of all charges, for $25, is sold in Buenos Aires for $75 or $100,

as the middlemen here and there, generally English or Germans, make profits which frequently exceed those made by the manufacturers themselves.

"If the manufacturers had sales houses in Buenos Aires, and would do business in the manner, and on the terms current in the market, their sales would be multiplied by a hundred, and instead of receiving the $25 above mentioned they would get double, and even then the article would come out 25 to 50 per cent cheaper to the Argentine consumer."

There is another point which we should all bear in mind. It is of the utmost importance. If our trade with the Central and South American countries is to be built on a solid foundation, it must be reciprocal in character. However polite they are, the South American peoples will not buy from us for sheer love of us or even from necessity: they want, or we want to induce them to want, to *trade* with us. They are high-spirited peoples who achieved their political independence largely for the purpose of avoiding being exploited in trade as they were for centuries under Spanish dominion. We must, therefore, recognize that our exports to each country are to be paid for by the things which we buy from that country. Fortunately, under present conditions, that is easy for us. Taking Central and South America as a whole, there is today a substantial margin for our exports, for, in round numbers, the value of our imports from those countries exceeds the value of our exports to them by $100,000,000 a year. That hundred million dollars may be said to measure the margin for trade expansion which it should be our first endeavor to fill up.

Another thing that must be borne in mind is that a lending country is much more advantageously situated for the development of trade with a borrowing country than is a country which is itself a borrower. The United States is a borrowing country. The European countries which have been engaged most largely in the South American trade have been, with the exception of Germany, lending countries, and, although the Germans have been borrowers, they, as well as citizens of the other European countries, have made large investments in South America.

Growing out of this, the financial relations of the Central and South American countries have largely been with Europe. Bonds of their governments are held in Europe, many of their transportation and industrial enterprises have been financed by European investors, bills for purchases of goods from other countries have almost uniformly been paid through London, and banking facilities have largely been afforded by branches

of European banking houses. An immediate result of this is that the European war has profoundly disturbed financial conditions in every Central and South American country. Coincident with this, and accelerated by it, has been a recession of property values, consequent upon the collapse of boom conditions in some of the countries of several years duration.

Such a condition was foreseen by an intelligent commercial traveler, who, writing from Brazil prior to the beginning of the European war, said:

> "So long as Europe, which is by far the heaviest buyer of South American products, has a full purse and the optimism to invest or to lend cash for industrial and other purposes here, the wheels go round happily and almost without friction; but let Europe have use for its money at home, let the people or the governments either refuse to invest or actually recall money already offered to South America, a shudder goes through financial circles in this part of the world."

The condition which was thus foreshadowed has been brought about, and, as a result, the purchasing power of the Central and South American peoples has been, for the time being, seriously impaired and the immediate outlook for securing for the United States a large proportion of the trade which formerly went to Europe is not so bright as it would otherwise be. This emphasizes the importance to our people of giving attention, at this time, to measures to bring about, as far as may be practicable, a readjustment of the financial relations of those countries. A long step in this direction has already been taken by one of the leading national banks of New York, which has opened a branch in Buenos Aires, is arranging to open another in Rio de Janeiro, and is contemplating extending its business into other South American countries. We may reasonably expect, therefore, that, whatever may be the ultimate effect of the European war on the financial systems of the countries involved, our exporters will find these branch banks substantially helpful and that, to some extent at least, South American bills will be settled through New York instead of through London.

Although, as I have pointed out, there have been ample shipping facilities for all of the trade between the United States and Central and South America, it can not be questioned that there would be some advantage in having a larger proportion of this business carried under the American flag. Speaking of conditions that have heretofore prevailed,

the Ambassador of one of the Latin-American countries recently observed that the United States, in this respect, was somewhat like a great department store with its shelves full of a vast variety of goods for sale but without its own delivery service and dependent upon a delivery service operated by its rivals. What happens to the business when the hired delivery service goes on strike is only to be expected. While I believe it is possible for us largely to increase our business with the Latin-American countries, whether or not it shall be performed by American ships, there is undoubtedly much truth in the old adage: "Trade follows the flag."

Some phases of the existing situation are favorable and some are unfavorable, but, taking all the conditions as they are, I venture to say that this is the most favorable opportunity that our people have ever had, and probably the most favorable that they ever shall have, to build up a great and growing export trade to South America.

While the present business depression and deranged financial conditions in the South American countries are unfavorable to any large immediate increase in trade, the natural wealth of those countries has been in no way decreased and an improvement in conditions is inevitable sooner or later. However, it would be a mistake for our merchants and manufacturers to wait for better conditions before making an effort to enlarge their markets in South America. They should get into the field at once, for, whatever may be the final outcome of the war now in progress, its conclusion is sure to find our European rivals, or some of them, once more in the field. The length of time during which European competition will be slackened will depend very largely upon the duration of the war and upon its after effects in decreasing the productiveness of the countries involved. Unless the loss of life shall be so great as very appreciably to diminish the labor available for productive enterprises, I doubt whether the after effects upon the volume of European industrial production will be of long duration. On this point John Stuart Mill, after pointing out that capital is kept in existence from age to age not by preservation but by perpetual reproduction, says:

> "This perpetual consumption and reproduction of capital affords the explanation of what has so often excited wonder, the great rapidity with which countries recover from a state of devastation; the disappearance, in a short time, of all traces of the mischiefs done by earthquakes, floods, hurricanes, and the ravages of war. An enemy lays waste a country by fire and sword, and destroys or carries away nearly all the movable wealth existing in it: all the inhab-

itants are ruined, and yet in a few years after, everything is much as it was before. This *vis medicatrix naturae* has been a subject of sterile astonishment, or has been cited to exemplify the wonderful strength of the principle of saving, which can repair such enormous losses in so brief an interval. There is nothing at all wonderful in the matter. What the enemy have destroyed, would have been destroyed in a little time by the inhabitants themselves: the wealth which they so rapidly reproduce, would have needed to be reproduced and would have been reproduced in any case, and probably in as short a time. Nothing is changed, except that during the reproduction they have not now the advantage of consuming what had been produced previously. The possibility of a rapid repair of their disasters, mainly depends on whether the country has been depopulated. If its effective population have not been extirpated at the time, and are not starved afterwards; then, with the same skill and knowledge which they had before, with their land and its permanent improvements undestroyed, and the more durable buildings probably unimpaired, or only partially injured, they have nearly all the requisites for their former amount of production. If there is as much of food left to them, or of valuables to buy food, as enables them by any amount of privation to remain alive and in working condition, they will in a short time have raised as great a produce and acquired collectively as great wealth and as great a capital as before, by the mere continuance of that ordinary amount of exertion which they are accustomed to employ in their occupations. Nor does this evince any strength in the principle of saving, in the popular sense of the term, since what takes place is not intentional abstinence, but involuntary privation."

If, then, we are to profit by the temporary slackening of European competition, we should make every effort to be firmly established in the South American markets before our European rivals are prepared to make the aggressive efforts, which they assuredly will make, to recover the ground they have lost. It is a situation which, I repeat, calls for persistent and continued effort and especially for immediate effort.

In conclusion, let me say that this opportunity exists largely for the manufacturers and merchants of the South, for in our section we are producing successfully many of the articles which the South American people buy outside of their own countries, and we use in the South large quantities of the commodities which they can supply to the United States. We thus have the basis for building up a reciprocal commerce which will bring profit to our Southern manufacturers and merchants and so lead to increased direct transportation facilities between their plants and our Southern ports and between those ports and South America.

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Please Read

WORK

AND

HAPPINESS

TO EVERYBODY

An Earnest Plea to Every Voter
Regardless of Party or Creed

BY

GEORGE WILLIAM MOHR

182 CENTRAL AVENUE

JERSEY CITY, N. J.

U. S. A.

July 10

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Pres. C. W. Eliot.

PREFACE

In the following I appeal to every voter—no matter what party or creed.

I trust the most conservative will admit that conditions in this world are not as good as they could be, and that something should be done to improve this state of affairs.

Further, that the most radical ought to take one slice of bread rather than none.

When we get started and find that we are on the right track, we can slowly increase speed, but we must be careful not to tear down more than we can build. The man who tears down his house, no matter how poor it is, before he has a better one, is a fool.

We must learn of nature. It does not create grain or fruit in an instant. We must, therefore, have patience and cultivate, sow and weed before we can expect to reap the harvest.

Whenever I criticise the government in this booklet, I blame the voters as they elect the government, and when I make any assertion against the government, I do so against myself as I am a voter.

Whenever "he" is mentioned in this booklet, "she," as a rule, is also meant. You will find some things repeated, but it is the constant hammering that breaks the stone, and the constant drop of water that hollows same. The tattoo alarm clock repeats the same over and over again. The owner may hear its first call, but it is only after it is repeated several times that he sits up and takes notice—so it is with me. I keep on hammering, pelting and ringing for the voters and hope that some will wake up and see that it is shortsightedness, foolishness, unprofitable selfishness, and laziness that, to a great extent, brings about the miserable conditions now existing in this world.

Work and Happiness to Everybody

How long will it be before the majority of the voters are aware that it will be possible and profitable to let everybody work and thereby make their own living and laying aside a sufficient amount for their burial, instead of allowing a large percentage to be idle, live in want and misery, and when they die, to be buried in Potter's field? No matter how little they are allowed while they live and how little it costs to bury them, others have to toil for it and it is unfair to tax those because others are compelled or allowed to live in idleness.

I suppose that a hundred years ago, a great many people thought it an unsurmountable undertaking to educate all the children, yet this is very nearly accomplished to-day in the civilized countries, but that education is not everything is proven by the fact that many well educated people live unhappily, do not succeed in life, but become public burdens, even commit suicide, because they are starving, while other people, who do not know the difference between an "A" and a "B" live happily, prosper in their way and are good citizens.

That the civilized nations must feel that they are reimbursed for all that they expend on the children, seems to be proved by the fact that they extend and improve the education at great costs.

When the children have graduated from the grammar school or are of a certain age, the government takes its hand off them, and is no longer concerned about what they are doing unless they come in conflict with the law. It seems to me, however, that the children at this age should be watched by the government most zealously, as they can easily be led astray.

The child who has good morals and good parents or guardians does not require watching, but for the one who has weak morals or easy going parents or guardians, there is great danger, as they generally fall by the wayside. Some of these children have had little or no religious education. I think the public schools should teach morals that do not conflict with any civilized religion. For instance:—The Ten Commandments, The

Golden Rule and other moral laws and rules which would lead them through life so that they would not fall so easily into temptation and violate the laws. They should also be educated so as not to be a prey to superstition, fortune tellers, and other swindlers.

When some boys leave school, they are too young in their own or their guardian's opinion to go to work or they are too lazy. They have been taught to read, and one dime novel after another is devoured. They seek the company of older boys who are loafing around and before they become aware of it, they, too, have broken the law.

From bad it goes to worse, and at the best they will be the kind that are the last to be hired and the first to be laid off. While they work they only earn enough to live from hand to mouth. When idle they are a nuisance, one way or another, to the community. With some of the girls it is about the same. They, too, read the trashy literature, become love sick or stage struck, get into undesirable company and are an easy prey for evil people. Why allow those children to turn criminals? Their mothers suffered and worked for them, and it cost their fathers, as well as the community, a great deal to rear them.

Why should it be less grateful and less profitable to see that those children were kept on the right track, than it has been to give them an education?

The idle brain is the devil's workshop and the idle hand is his tool. Therefore, any one found idle should be set to do something that is good for himself and the community. No matter how rich or poor the children may be, the boys should be taught a trade by which they can support a family. They should also be taught to cook and mend garments in case of an emergency.

The girls should be taught to do housework, plain cooking, sewing and to take care of a baby.

After a day's work is over, allow them to have some wholesome pleasure—have the assembly-room in the schools, or some other hall, open for them so that they can meet, dance and play. There should be plenty of good literature, and occasionally lectures of common interest. In short, the school should be the children's second home, where they are always welcome and where there is some one to look after them, correct their manners and give them good advice. If children are taught to work and behave themselves, they will, as a rule, appreciate it and become good citizens. At any rate there would be less crimes

committed, and what that would cost to give them work and wholesome pleasure, would soon be saved in the criminal department of the government.

* * * * *

I have so often heard people say that anyone who wanted to work always could find work, but that is not true. No man with one grain of sense can say that there is always the same demand for labor. Now then, if everyone has a position when business is good, what will those thousands do who are laid off when business is dull? As a rule, it is the less skilled workmen who are taken on last and the first to be laid off. While they work, they only earn enough to live from hand to mouth; when they are laid off, they are destitute. They search for work as long as they are able to do so. When hunger and cold overcome them, they must not beg, not even lie down or commit suicide. If caught, they are set to work as criminals. (Is that not irony?) All they are allowed to do is to walk until they drop dead. What good is the education to them? Suppose we all had the education of a professor, the strength of Hercules and were as industrious as an ant? As the system is now, some one has to be the unfortunate. No! it is not time for the individual to fight alone. The greatest nations, the richest trusts, the biggest unions seek their allies. The down and out man without work has no friend, cannot get an ally, but a mob. Yet, when this man is working and spending every penny of his hard earned money, the country is prosperous. Therefore, why wait until he has lost confidence in himself, lost hope, patience, self-respect and committed a crime? Are we not farther advanced at present? Are we so short-sighted, narrow-minded, and unprofitably selfish that we bite off our noses to spite our faces?

There has been so much criticism about the unemployed who would not shovel snow. Yet it looked to me that there were more willing hands, than there were jobs. That the man who had never done any manual labor, had not had the proper nourishment for some time and was not properly clad, would not accept such work, he should not be judged for that. The person who calls such a man lazy is not fair. He or she may have shoveled snow in the front of his or her own door and thought it an easy task, but he forgets he had been well fed and clad and could go in and change his footwear whenever he felt like it, while if the man above described, worked a day in the snow without proper nourishment and with cold, wet feet, he would contract a cold that would kill him.

If a contractor who hauls the snow away used saddle horses and ponies that were not properly fed and shod, and hitched

them to big trucks, heavily loaded and whipped them if they were balky, he would be punished severely by the government, and nearly everybody would think he deserved it, while but few have sympathy for the weak, starved and poorly clad man.

Of course, there are many who will not work—they are imposters and parasites. "For even when we were with you, this we commanded of you that if any would not work, neither should he eat." No sympathy should be shown to them. If a conscientious doctor could see that they were strong enough, had sufficient food and were suitably clad, they should be made to work. If they refuse, they should be whipped, or put in a tread mill, or both.

The tendency in this age is to show more sympathy for animals than for human beings. If a man has no work for his horses, he, however, finds it profitable to feed them. If he does not, he will be severely punished by the government.

When a man has no work for his employees, he simply discharges them. Of course, the single individual has to do so in order to protect himself. When he again has work, he expects to get help that has been fed and clad in order to be able to do a day's work. But where could the unemployed have had it in times as the present?

With a Labor Trust on the left, a Money Trust to the right, a short-sighted Government in the back and Starvation in front of them, what shall the unemployed do today? What good is education to them when the stomach is empty and the body cold? What good are the employment bureaus, when there is not enough work to go around? What good is it to tell them to go farming, when the manure which makes farming profitable, you may say possible, goes into the cities' sewers or elsewhere, is lost?

So many people say that when business is slack, there is an over-production. I fail to see how there can be an over-production, when there are hungry, poorly clad people, living in quarters not fit to shelter a dog, and there are always more people that live that way, when there is an alleged over-production, than when business is brisk. Neither can I see where those are right who say that there are too many people in this world, as it is a fact that the wealth has increased per individual ever since the history was written. The first settlers of this country had to work hard for what little comfort they had. George Washington was one of the richest men of his time, yet he did

not live as comfortably as most well-to-do people do now. That certainly proves that the more people, the more wealth.

Wealth is produced by work. Then why not let the willing hands work in order to produce still more wealth?

It seems to me, the trouble is, we have not heart enough and at the same time are foolish enough to allow the unemployed to be without work.

The world should realize that the unemployed are on the pay roll anyway and that the time they waste is wasted for the community in which they reside.

We are so far advanced at the present time, that many of the successful firms and corporations deem it profitable to give a share of their prosperity to their employees, but the nation will not give a share of its over-production to the unemployed by giving them work, but prefer to allow them to live in idleness. Is this not wrong?

Suppose ten men were, for some reason or other, marooned on an island where they could easily make a living if each one did his share of the work. Now, if one of them refused to work, would not the other nine of them compel him to?

If they were foolish enough to feed him and allow him to gain, by gambling and panhandling, what they worked for, they would be the laughing stock of the world; and suppose the nine told the one that he had no right to work or have anything to eat, only once in awhile, thereby keeping him in misery, would not the nine be severely punished when rescued from the island and the world became aware of their cruelty? They could consider themselves lucky if they were not lynched. Would it change the spirit of the case if it were one hundred men and ninety of them were the oppressors and ten the oppressed? Indeed, it would not. Neither would it change the wrong if there were a thousand or a thousand million involved. As we are marooned on that little island in the Universe—called the Earth, we are not a particle better than the nine men on the little island, and we will be held responsible for our misdeeds and our follies when called away from here. Therefore, is it not now time that it be proclaimed throughout the world—**That whosoever is industrious and honest shall not suffer from want, but shall have plenty, followed by whosoever is lazy shall be made to work and who is dishonest shall be severely punished, and let the latter two rules be rigidly enforced.**

As I said before, it does not pay to farm without manure, but the farmers can not, as individuals, get enough of it back to the farm. The cities' population think it is to their advantage

to let it go into the sewers, or otherwise waste it. As long as this practice is kept up, the price of food will continue to advance.

The government should see to it that the waste be stopped as soon as possible, that fertilizers be manufactured, guano imported and sold to the farmers at cost, or even less than cost.

If the manure had been brought back to the farms when the cities were founded and as the cities spread, the black soil removed to the vacant land, the villages surrounding the cities would have been gardens thickly populated with well-to-do farmers. As it is now there are big areas of waste land close to the cities and the food products have to be transported long distances.

With the manure and other waste matter returning to the farm, the population would also return to their most natural livelihood, which is farming. More food stuff would be produced, and with better, quicker and more direct transportation facilities, the farmer would make more profit and the city people would buy cheaper.

With the intervention of the government it could be arranged that young people, especially the unmarried ones, go to the country in the summer and help the farmers with their work, and return in the fall to the city and factories. Such a method would be very healthy for the young people and a benefit to the country.

The government must have the power to control and must exercise such power. An engineer would not keep a governor on his engine if it did not work properly, nor let the engine stop or run wild as the load changes. Neither would he, if he had plenty of work to be done and plenty of steam on his boiler, jam down the safety valve so that the pressure would burst the fittings on the boiler and threaten to blow up the boiler. He would start his engine at once and fix his governor so it would regulate every stroke of the engine.

We voters are the engineers and there is plenty of work to be done. Hungry and poorly clad persons are clamoring for work in order to earn a livelihood, but we jam their energy down so that the most oppressed and sensitive lose patience and create trouble. This is due to our not knowing how to organize the government so it can keep affairs running smoothly.

When business is dull, men of science say there is an overproduction, others claim there are too many people. **Again I ask, "How can there be an overproduction when there are hungry, poorly clad people living in quarters not fit to shelter a dog?"**

How can there be too many people when the food is decaying on the farms and in the stores, when clothes are lying

awaiting buyers, and when fine houses are standing idle? It seems to me that it is just a plain case of poor management. It is to be compared with a person who has eaten too much and then becomes sick. A Doctor would call such a case indigestion and order a purgative. The hard times are nothing but business indigestion and need only a purgative—not one that kills the alleged superfluous labor or destroys the alleged over-production, **but simply that the government allow the starving people to earn the over-production through honest work, by starting some undertaking or improvement, thereby putting money into circulation and having public workshops where the unemployed could earn their living.**

Of course, it should be gone about in a careful way—not create an unfair competition to private business that has been long established and paid fair wages to its employees, but give work at a minimum scale, so that those who were underpaying their help, would be obliged to raise the wages. That would help the conditions a great deal, as many employers who wish to pay their help living wages can not do so because their competitors underbid them due to their hiring help at starvation wages.

Suppose a farmer with a large family of grown up children lived on a big farm, say five hundred acres, of which a hundred were cultivated, and suppose he had a bumper crop, so much so that he thought it would not pay him to gather it all, but let some of it rot on the farm, and after the harvest was over, he would sit down in his easy chair, tell some of his children that he had an overproduction, had no use for their help before spring, they could only get the leavings from the table and sleep in the barn, would not those children, no matter how good natured they were, harbor an ill feeling against their parent and kin?

If they only had been allowed to live from hand to mouth when they worked, they would have accepted the offer. If the farmer had been foresighted and just, he would have kept all of them working, notwithstanding the over-production, he might have shortened the working hours, then he would have cultivated more of his farm, made improvements and erected buildings to house the increasing stock and products. We can all see that he should have done that, but so few of us can see that the government should in the alleged over-production times reach out and improve and build up the country.

But the government allows the individuals to take care of themselves. Those who have only earned enough to live from hand to mouth become a public burden or nuisance; those who have managed to put a little aside will too often run short before

their fellow citizens hire them again; others go in business for themselves, others go out farming, but too often they fail, the former because the competition is too keen, the latter **because the ground will not yield enough to make it profitable to till it.**

* * * * *

Selfishness is the mainspring that drives the world ahead, therefore, it should have its just reward. The industrious, inventive, and saving individual should not be trapped by the greedy speculator and gambler, nor be burdened by the lazy and happy-go-lucky ones.

When a man has created (produced) or invented anything, the government should see to it that he enjoy the fruit of it in peace, and not be robbed by the capitalist.

As an example, where the industrious and saving are burdened by the lazy or happy-go-lucky, I would mention this: In some States the widows are given a pension. Indeed a very noble act, as circumstances are now and I would vote for that myself, **but why not see that every man earn enough to pay for a life insurance, instead of taxing the man who worked hard, saved and deprived himself of pleasure, sometimes necessities, for the sake of providing for his family if he should become disabled or die?**

When he has succeeded in putting a little away, he is taxed to pay for his neighbor's wife whose husband worked as little as possible or earned more than he did, but often spent it on luxuries and pleasures. Why punish (tax) the saving and industrious and reward the lazy or happy-go-lucky?

The government (or affairs) is now run like a clock without a pendulum. It is either a feast or a famine. At no time are all the individuals doing their share or receiving their just reward. The government should be the pendulum that would tick justice to everybody; thereby encourage the mainspring to work hard.

Justice is generally pictured blindfolded. I would suggest that the cloth be torn from her eyes and a magnifying glass given to her instead.

In the last one hundred years, wonders have been done toward educating the people. If in the coming hundred years, as much will be done toward giving everyone a chance, and compel the idlers to provide for themselves by doing something useful for the community, the world will become a far better place to live in. Education without an opportunity to make a living, brings only discontent and unrest for the energetic. To be allowed to idle away the time and live on others' proceeds,

destroys the character and leads to crime that creates a bad example and is contagious. In the past much has been done toward preventing contagious diseases from spreading, but very little has been done to destroy the main roots to crimes, which are idleness, bad literature and shows.

* * * * *

The Christians pray, "Lead us not into temptation, but deliver us from evil." I think besides praying, we should do some honest work to remove the temptations and evils in this world. We would then have a better conscience to face our Judge on the last day. Further we pray: "Give us this day our daily bread." It is repeated millions of times each day, although men of science claim there is an over-production. Do we expect (want) our Creator to come and lead and feed us like babies? Have we forgotten that we are set on this earth to reign and conquer it?

Nature has granted our prayer long ago. As a rule it gives its reward to every honest effort to make a living. Of course we have our free will, if we insist upon living against the law of nature, letting a large percentage be non-productive, live packed together in skyscrapers and rob the soil of its resources, we must take the consequences. We should see that everybody could and should earn their daily bread, then thank and praise our Creator for His generosity, that He has sent us in this magnificent world that yields, what men of science call an over-production.

It is true that Nature once in a while seems to be cruel by sending us an earthquake, flood, draught, etc., but that helps to remind us of our weakness and smallness, that we must stand by one another and help others as we want them to help us if we are in distress. On such occasions our hearts generally open up. We can send large sums of money, big quantities of provisions to those stricken people who live in distant countries, and whom we do not know, while our neighbors suffer from want. We should always have a heart for our fellow citizens, not so much by giving them something for nothing. I think charity, although conducted with good intentions, has spoiled very many people. It weakens their energy and lowers their self-respect. Nature gives very little to us without an effort from ourselves, therefore, we should follow Nature's example and teach the weaker by honest work to be self-supporting.

* * * * *

I would compare this world with a theatre, where everybody can see what is going on on the stage and where everybody can safely come and go when there is no panic, but as soon as someone in the gallery shouts "Fire," there is a panic. Everybody is for

himself, he leaves his hat and coat, jumps from the balcony and galleries on top of the other people, tramples on the prostrated and weak, tears his own clothes and flesh in the mad rush for safety. When he reaches the street he only realizes what damage he has done. If he had walked out in an orderly manner he would not have lost anything, nor been hurt at all or done any harm to his fellow citizens. He may even discover that there was no fire at all, but that it was somebody who shouted "fire" in mischief or spite.

So it is with business. When everything runs smoothly there is work for almost all, but when some one up in finance sees something on the political or business horizon that does not suit them, they shout "fire!" by withdrawing money from the business or stop the money from circulating. Others follow suit and the panic or hard times are on. When the panic is over many people in business have been ruined, financially and physically. The manual labor has suffered from hunger and cold; many have died from lack of proper care.

So much has been done to save lives from fire, but too little has been done to save people from idleness and its associates—starvation, exposure, sickness and death.

Someone will say that if the government should give work to the unemployed, it would only be to make room for more graft and swindle. Well, just now there are men among us who know how to deal with grafters and political swindlers, and if the public show their appreciation of such men by keeping them in office, promote and pay them excellent salaries, and if these men find it profitable to work for the public, they will continue to do so. Others will then follow in their steps and gradually all the public servants will be excellent men, who know how to manage the office they are in.

The successful corporation and firm do not pick their men at random, but carefully select those who have had experience in similar positions and when they prove competent, are promoted and their salaries raised. Such men do not fear anything,—but to do wrong. They know that as long as they do what is right and are industrious, they will be taken care of, no matter what happens. If the voters would be guided by such an example, there would be still better men in their service; we would have more respect for the government (ourselves) and the whole world would have more respect for this country.

Everybody should know that if they are honest and industrious, they will get their reward. That reward could certainly

not be less than steady work at a living wage. Everybody should also know that if they are dishonest, lazy or neglectful, they will be severely punished.

With a fair and sure reward ahead, a severe and just punishment behind, a commercial education to the left, a good moral education to the right and a competent government above them, people would soon become better.

* * * * *

About thirty-three hundred years ago the commandment, "Thou shalt not kill," was written. About nineteen hundred years ago, Christ said to Peter: "Put up again thy sword into its place, for all they that take the sword shall perish with the sword." How true this prophesy. Nation after nation that has risen to power by conquering their neighbors by brutal force, have themselves been conquered and torn asunder. Yet the world will not take heed to the warning.

The nations that call themselves Christians and civilized, jump at their neighbors' throats like brutal bulldogs at a slight provocation. After thousands of human lives have been lost or crippled and millions of dollars worth of property destroyed, other so-called Christian nations step in and mediate the trouble and bring about peace.

After a war it is justice that the one who has suffered and lost most, must pay indemnity to the one who has been most victorious, no matter what the cause of the conflict has been. The neutral nation sustains the victorious nation's demand of the conquered one. Justice has been satisfied in the eyes of the so-called Christian and civilized world.

Is it not time now that the neutral nations step in before blood has been shed and property lost and see that real Justice be enacted?

The Christian and civilized nations believe that there is only one God, yet when two Christian nations wage war on one another, each nation prays to God to help to conquer the other. Indeed, a parody on Christianity. There are no words in any language that can express such Idiotism and Hypo-criticism. Imagine two brothers, each begging his father to help him kill his beloved son?

The Christian and civilized nations are so far advanced that they do not allow their citizens to fight a duel. If they are caught doing so, they are punished as disorderly persons. As a whole, the nations cannot see that honor is restored by shedding blood among their respective individuals, but demand that any controversy must be settled by decision of the courts. How then, can

the nations believe that their honors can be restored by shedding innocent persons' blood, and by imposing taxes on persons who have no interest in the war?

* * * * *

It is said that sin came into this world by a lie. Then why not try to destroy the source of sin—by going for the biggest and most flagrant lies, and thereby bettering this world?

When election campaigns are in progress the one party accuses the other parties of some wrong doing, or that they are responsible for some evil conditions of affairs. The leaders proclaim such statements from the platforms and allow same to be printed in the newspapers alongside the contradictions of their opponents.

Evidently one of the parties is telling lies and whoever it is should be punished most severely as it is bewildering for the voters.

The candidates, wilfully telling falsehoods, are not fit for even the lowest office in the country, and should, therefore, not be tolerated.

In some States a candidate must now file a list showing how much he has spent in the campaign. Would it not now be time that the candidates, public speakers and editors be held responsible for every statement they make during the campaigns?

If the voters could believe every word they heard or read, they could vote more intelligently, and the campaigns would not be such disgraces as they are now.

GEORGE W. MOHR.

ADDRESS OF HON. JAMES LOGAN

WORCESTER, MASS.

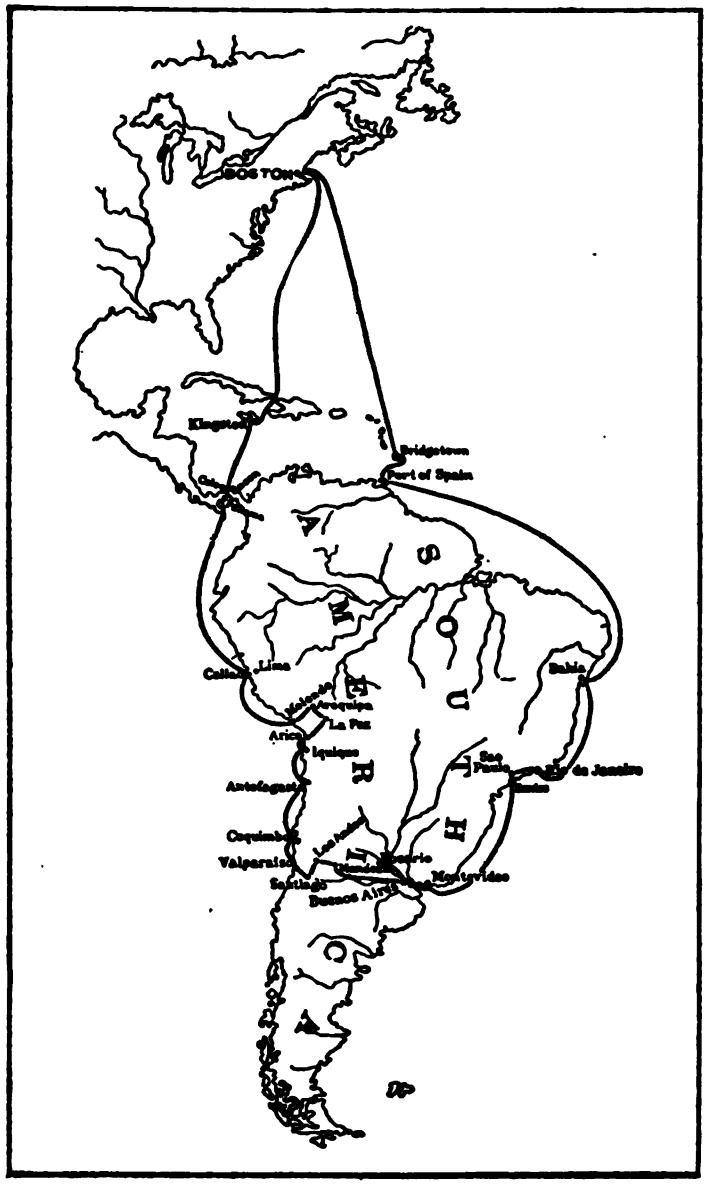
Vice-Chairman of the delegation from the Boston Chamber of Commerce which visited South America in 1913

"A Closer Commercial Relationship with Latin America"

Delivered before the Thirteenth Annual Convention of the National Machine Tool Builders' Association

HOTEL ASTOR, NEW YORK
October 23, 1914

ROUTE OF THE BOSTON CHAMBER OF COMMERCE DELEGATION ON THEIR TOUR TO SOUTH AMERICA, APRIL 24 TO JULY 21, 1913.



SOUTH AMERICA
Scale of Miles
0 100 200 400 600 800
Important towns are shown in heavy face type
CARIBBEAN SEA
CENTRAL AMERICA
PACIFIC OCEAN
ATLANTIC OCEAN
Longitude West 60° from Greenwich
EQUATOR
TROPIC OF CAPRICORN
Barranquilla
Cartagena
Pt. Gallinas
Mt. Illimani
Cochabamba
Potosi
Iquique
Tocopilla
Antofagasta
Taltal
Caldera
Valparaiso
SANTIAGO
Concepcion
Puerto Montt
Ancud
CHILOE I.
Gulf of Ponas
CAMPANA I.
WELLINGTON I.
MADRE DE DIOS I.
Str. of Magellan
SANTA INES I.
Grande Bay
Arenas
Strait of Magellan
TIERRA DEL FUEGO
Dartmouth
STATEN I.
WOLLASTON IS.
Cape Horn
FALKLAND IS.
Port Stanley
SOUTH GEORGIA
Blanca Bay
S. Matias Gulf
Gulf of St. George
C. Tres Puntas
Rawson
Puerto Madrid
Bahia
Porto Alegre
Rio Grande do Sul
Pelotas
Laguna
Destarro
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Santos
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Victoria
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Pernambuco
Parahiba
Caracas
Delta
Orinoco
Manaos
Santarem
Obidos
Para
Marannao
Caroina
Santa Maria
Matto Grosso
Cuyaba
Trinidad
Santa Cruz
Cochabamba
Tarija
Jujuy
Villa Rica
Villa Pilar
Corrientes
Cordoba
Mendoza
Rosario
Tandil
Bahia Blanca
Tomuco
Valparaiso
Mt. Aconcagua
Mollendo
Arica
Iquique
Callao
Chiclayo
Trujillo
Iquitos
Tumbes
Buenaventura
Cartagena
Santa Lucia
Barbados
Tobago
Trinidad
Port of Spain
Georgetown
Paramaribo
Cayenne
C. Orange
Mouths of the Amazon R.
Mouths of the Tocantins R.
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Rio Amazon
Madeira R.
Tapajos R.
Xingu R.
Araguaya R.
Tocantins R.
Parana R.
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Uruguay R.
Plata River
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STATEN I.
WOLLASTON IS.
Cape Horn
GALAPAGOS IS.
TO ECUADOR
Same scale as large map

NOTE

Early in the last century a Commission was sent to South America by the American Government. This delegation was made up of three Commissioners: Cæsar A. Rodney, John Graham, and Theodoric Bland; H. M. Brackinridge as Secretary, Wm. T. Reed, and Thomas Rodney (son of one of the Commissioners) were supernumerary members of the party, which sailed from Norfolk, Va., on the frigate Congress, December 14, 1817.

Later, by order of the American Government, a report was published setting forth the object of their visit. This report was written by the Secretary of the delegation, H. M. Brackinridge. The report opens with a short account of the extensive territories over which, but a few years before, the Spanish Government exercised control.

In this report the motive of the tour is set forth and it sounds strangely familiar to the delegation from the Boston Chamber of Commerce, which, one hundred years later, visited South America practically for the same purpose, i. e., "To obtain correct information regarding all matters relating to South America which might be of interest to the United States. To inspire the people and governments with just ideas of America's friendly intentions without in any way compromising America's neutrality and insure due respect for America's commerce in all the ports and before all the governing bodies."

"A Closer Commercial Relationship with Latin-America"

Some one has well said, "If you cannot go to South America do not talk to any one who has ever been there." The friend who has been there will make you restless with his memories of seas and mountains, plains and palm trees; he will tell you of the abundant tropical life of the great silent forests—of the Orinoco and the Amazon valleys and of the days spent in Rio looking out over the most beautiful harbor in the world.

He will tell you of the great mineral wealth of Peru, Bolivia and Chile on the west coast and of those wonderful railroads zig-zagging up over the Andes, above the clouds into the land of mystery, the home of the Incas, where are some of the most wonderful ruins in the world—of a forgotten race, that lived their day even before the Incas.

He will tell you of the conquest of Peru, by Pizarro, and in imagination you will walk with him through the President's palace in Lima and through the Cathedral which he built and in which his body now lies.

He will tell you of that wonderful day spent on Lake Titicaca, the highest lake in the world, approximately two and one half miles above sea level, one hundred and thirty miles long, and varying from one to fifteen miles in width, with the mighty Andes framing the picture and the setting sun painting the heavens with a glory of color and divine skill which only the great artist of the Universe can furnish.

He will tell you of the great pampas of the Argentine with its millions of acres of wheat and its enormous herds of the finest cattle in the world.

He will tell you of Buenos Aires, the Paris of the South American continent, with twice the population of Boston;

of the enormous amounts being expended for the construction of docks and other port facilities; where steamers from all over the world are pouring into that country not only the manufactured products, but men and women from all the nations of the earth, there to mingle in a stream of new National life, out of which in the years to come, under the Southern Cross is to be evolved the Argentine that is to be, and after he has told you his story *you too* will have the South American fever in *your* blood.

In the limited time at my command it will be impossible to take you over all the countries visited, filling in all the detail of our journey on the wonderful tour of about fifteen thousand miles by land and sea, which as members of the Boston Chamber of Commerce it was our great privilege to make.

All I can hope to do will be to give you a very imperfect word picture of our journey through the several countries visited.

It is not my purpose to burden you with a mass of figures; tables of statistics you can obtain from other sources. I have thought that perhaps what you would most prefer would be a running story along the human side of the journey.

At all events, that is the way it has appealed to me and that is what I am going to give you.

First, permit me to once again express thanks and appreciation to our hosts in South America. We can never forget their courtesies and attentions. I feel that I am inside the truth when I say that no body of men was ever given a more royal welcome than was given to the members of our delegation while in the South American Republics visited.

We were given a reception by the President of every Republic, by the Governor of every Province or State, and by the Mayor of every city visited, with one single exception, the Mayor being out of the country at the time of our visit, and we can never hope to repay the officials of the government, members of Boards of Trade, Chambers of

Commerce, Merchants Associations and Stock Exchanges for the courtesies extended.

The heartiness and bounty of their hospitality overwhelmed us and the most precious treasure which we brought home with us is the remembrance of their hearty welcome and royal open-handed hospitality.

We often felt our limitations in not being able to give expression to our thought in the language of the countries visited and it was at times humiliating to our pride to meet so many men who could talk our language with fluency, while our education had been so provincial that we could not express ourselves in their language at all, but the cordiality of our reception was such that there was borne in upon us this large thought that the ties which bind the human family into one great brotherhood, while invisible, are, after all, very, very real, and that while the great Father of us all has ordained that among the nations of the earth the language of the lips should be different, he also ordained that the language of the human heart should be the same, and it is through the heart that the great truths of brotherhood are comprehended, and the fact recognized that we are all brothers in one great human family, even though our spoken language may be different.

It seems hard to realize this great fundamental truth, that we are brothers in one great family, when we think of the awful tragedy, the greatest crime of the ages which is drenching the fields of Europe with the best blood of the young men of the leading nations of the world.

Now, go back with me in imagination to 1492 when Columbus set out on his voyage to find a new route to India, he took with him a general letter of introduction from Ferdinand and Isabella accrediting him as their royal representative to the Court of the

GREAT KAHN PROCTOR JOHN,

or any other potentate he might encounter and this letter is such a splendid piece of bluff that it would do credit to a gold brick artist of the present day.

"Ferdinand and Isabella to King——

"The Spanish Sovereigns have heard that you and your subjects have great affection for them and Spain. They are further aware that you and your subjects are desirous to hear news from Spain. They accordingly send their Admiral, Christopher Columbus, who will tell you that we are in good health and perfect prosperity.

Granada, April 14, 1492."

The crews of Columbus were typical of the history of migration to the new world that lay unseen before the great discoverer. His crews were prophetic of the cosmopolitan character of the population of our country, both North and South America, for among his one hundred and twenty men there were Italians, Spaniards, Portuguese, Frenchmen, Englishmen, Irishmen and Jews, so when we talk about restricting immigration we want to remember that representatives of a good many nations discovered America—and they have some rights as discoverers.

Columbus and his motley crew did not find the new sea route to India, but, as so often happens in our search for one thing, we find another, and as they searched the wide waste of waters they found, not the route to the far east which they sought but they found the new land which was to offer an abode for the new ideals of human progress or as Madame de Stael said " the home for the advance guard of the human race."

In the thought of most of our people the settlement of this country dates from the landing of the Pilgrims at Plymouth in 1620.

There are a few people who remember that the settlement of Jamestown, Va., was made thirteen years before the landing of the Pilgrims, and still fewer remember that it was in 1619, the year before the landing of the Pilgrims, that Representative Government was inaugurated on this continent, and by a curious irony of Fate, in the same year at the same place, while claiming freedom for themselves,

negro servitude was introduced into the thirteen colonies.

But very few people have ever known, or if known, have appreciated the fact that in 1519, one hundred and one years before the landing of the Pilgrims at Plymouth, the City of Panama was founded on the isthmus.

Panama was created a city of the first class and was given great privileges, among them the right to coin money, a hundred years before the Pilgrims landed at Plymouth.

Panama is the oldest city on the mainland of America. In the 16th century it was the strongest Spanish fortress in the new world, excepting Cartagena in Colombia.

When in 1671 the old City of Panama was destroyed by the Buccaneer Henry Morgan, it had a population of about forty thousand souls.

So in visiting these countries in South America, standing within those grand old churches and cathedrals of our great mother church, we felt ourselves nearer to the beginnings of history on the American continent than we had ever been before.

I shall briefly refer to each country so to give you a bird's-eye view of the countries visited, for this is the field you express a desire to cultivate so you ought to have some knowledge of the country.

Peru has an area of about 500,000 square miles, about seven times the area of New England.

In addition she has other territory which she claims. Practically all these South American countries have boundary disputes with their neighbors for many of the lines have never been surveyed and the old documents on which their claims are based are very vague and indefinite.

Peru has an estimated population of about three and one half to four million people, a large proportion of whom are Indians and mixed races and from eighty to ninety per cent. illiterate.

It has a coast line of about one thousand two hundred and fifty miles with a width varying from 300 to 400 miles. A very large part of this coast line is a barren waste. Rain

seldom falls and consequently there is no vegetation and nothing to sustain life. And why this barren waste?

The prevailing winds in South America are from the east and the moisture absorbed from the Atlantic Ocean is carried by the eastern winds and deposited on the lands east of the Andes, which accounts for the wonderful fertility of the lands in South America on the eastern slope of the Andes mountains. There they have continual irrigation from the great reservoir, which has not been created by man but by the Almighty.

When the moisture ladened clouds reach this great natural barrier, the Andes, the clouds which cannot rise above the mountains are intercepted and discharge what moisture is left, either in the form of rain or snow, on the eastern slopes of the Andes, so that comparatively little of the moisture ever reaches the Pacific or western slope and that is why it is an arid waste, and must always remain practically a waste.

The only water the Pacific Slope gets at this point is from the snow which has gotten over the ridge of the mountains and which when melted finds its way to the Pacific Ocean through the very narrow valleys of Peru and northern Chile.

These conditions do not apply in the south of Chile for there the mountain range is lower and the clouds get over the mountains and so distribute some of their moisture on the Pacific slope, and there is a region there which is wonderfully fertile and as beautiful as anything in Switzerland, but practically undeveloped—the garden spot of the west coast of South America.

Inland, in Peru, away from the coast and nearer the Andes, there are many beautiful and fertile valleys and on the Atlantic or eastern side of the Andes is a rich, tropical country, but as yet undeveloped, so no one can yet say what its future possibilities are.

The wealth of Peru is at present in her mines, but much of the wealth taken out of her mines leaves Peru practically no better off, the ownership of the mining properties being

largely a foreign absentee ownership, so that little of the wealth remains in the country and therefore, aside from furnishing employment to the miners, who are largely Indians, this wealth does little to build up the country.

Mining mineral wealth does not do for a country what agricultural or industrial wealth does. The people cannot eat gold, silver, copper or tin and when the minerals are exhausted there is left simply a hole in the ground, but the same amount of money and energy applied to the soil would provide sustenance for a great nation.

We must always remember that there must be brought from Mother Earth not only the minerals but the food to sustain the people.

Lima is the capital of Peru and its largest city. It is situated seven miles inland and has a population of about one hundred and forty thousand, Callao, with about forty thousand, being the port of entry for Lima.

A trolley line connects the two cities and they are in reality one, men living in one city, while their place of business may be in the other.

Lima has the flavor of antiquity. You are conscious that you are in an old city. The University of Lima, the first university founded in the new world, was founded by Dominican Friars, in 1551—sixty-nine years before the Pilgrims landed at Plymouth.

From Lima and Callao the Aroya railroad runs up to the mining country. This is the highest railroad in the world, built by a great man, Henry Meigs, an American.

This road reaches an elevation of 15,685 feet above sea level and zig-zagging up over the mountains it is a marvel of engineering skill.

Here we had our first taste of mountain sickness, caused by the thin air of the high altitude.

It is impossible to properly describe Soroche, or mountain sickness.

I tried to describe it in a letter to my wife and said:—If you take the effect of the first cigar, seasickness, rheuma-

tism, a bad attack of the asthma and the worst cold you ever had, altogether, you would have something approaching Soroche or as one man said when suffering from mountain sickness, "I now know how I will feel when I am 80 years old."

When in Lima we visited the Franciscan Monastery, and were accorded privileges not usually granted visitors.

We were shown through the Monastery, were shown the Holy vestments, the ornamentation being beautiful beyond my power of description, all being in gold.

The old Abbott could not talk much English so he sent for one of the Monks, Brother Morrison, to talk for him, and Brother Morrison had the burr in his tongue which can come only from Scotland, and I said to him, "You must be Scotch?" And his reply was, "My father and mother were born in Edinboro, but I was born in Lima."

Here certainly was a paradox—a Scotch-Peruvian Monk, by the name of Morrison.

Another in our party found an English Monk, while still another found an Irish Monk.

We visited the University, some of the churches, the Cathedral and other places of interest. In fact so much was planned for our entertainment that we were sometimes compelled to act on the suggestion "If business and pleasure conflict then cut out business."

Most of our party visited Cusco, in the interior of Peru, the ancient city of the Inca Kings. It has a population of about 20,000 inhabitants and the Hon. James Bryce, in his recent book on South America, says Cusco is the dirtiest city in the world and the members of our party who visited Cusco agreed with him—that it couldn't be dirtier.

It had been one of the dreams of my life to go to Cusco, but as I had been very sick with a high fever for a number of days, the doctor, on account of the high altitude, forbade my going, so like Moses of old, I was permitted to come up to the border of the Promised Land but was not permitted to enter it.

Cusco is about 12,500 feet above the sea level and Puno on the shore of Lake Titicaca is about the same elevation.

We have no conception here of the variation in temperature in these high altitudes. At one place at which we stopped, at six a. m. the mercury registered two degrees above zero and at two p. m. it registered 110 degrees above, and while it was very hot during the day, as soon as the sun goes down, it grows very cold.

The Incas in olden times worshipped the sun and we would also worship the sun in modern times, with the thermometer registering zero and coal selling in La Paz, Bolivia, at $50.00 gold per ton.

The upward steps of civilization are measured by *wants*. The President, Prof. Giesicke, of the University of Cusco, Peru, that ancient seat of learning, founded thirty-eight years before Harvard, is trying now to inspire the Indians of Peru with a desire to *want* things in order that they may be inspired to work for them with the hope that by *wanting material* things they can be made to want the higher and better things that are not material.

On the way up from Mollendo to the interior we passed a cotton mill. It was Sunday so the mill was not running and we were given a fine object lesson of the civilising effects of industry on the people.

This mill has been in operation about ten years, operated with French capital. In the doorways of the tenements, or rather the huts, sat the mothers of the girls who worked in the mills, dirty and unkempt, looking as if they had never heard of soap and had never used a comb, and standing beside them the girl mill operatives, in neat, black dresses, white aprons, white or colored waists, hair done up as neatly and fashionable as our girls in this country. Mothers barefooted and these girls with as well fitting shoes as our girls here wear.

At the next station no mills and absolutely no marks of civilization—girls looking not much, if any, better than their mothers.

Surely the way out of their ignorance is through industry, by way of the machine.

We can never forget the all-day sail on Lake Titicaca, a beautiful lake in a beautiful setting—the Andes crowned with perpetual snow, running off to the south for over one hundred miles and the air so clear that it seemed as if one might walk to the mountains before noon.

Hardly a tree in all this territory, while on all the hills could be seen the old terraced gardens of the Incas; wherever there was a strip of soil, even if only a foot or two in width, it was used.

We will ever remember that night we slept on the boat, the Inca, and the next morning, at eight, started for La Paz, Bolivia.

On the way we stopped for a couple of hours at the ruins of Tiahuanaco. No one knows what these ruins are. The theory is that this place was situated on the shores of the lake and the lake has receded and is now six or seven miles away.

The stones from which these monuments and the foundations of the ruins were cut had to be brought from elsewhere.

They were not quarried or cut in that neighborhood for there is no stone of that character there and one of the mysteries is how these stones were cut, the workmanship being perfect. We have nothing better to-day and how were stones of such immense size handled in the days before machinery came into existence? But the idol standing amidst the ruins does not answer your question.

It is all so weird and uncanny that such a civilization could have existed and then have gone and left no record, for, bear in mind, these are not Inca ruins, but ruins of a race that preceded the Incas.

Bolivia has an area of approximately 700,000 square miles, this being the official claim of area—about ten times as large as New England. Others claim the correct area to be not over 515,000 square miles. It has a population estimated in 1900 at about two millions, largely Indians and

illiterate, and its wealth, like that of Peru, is largely mineral, undeveloped and so still an unknown quantity, but already she is the world's greatest producer of tin.

La Paz (the city of Peace) is the largest city and has a population of approximately 60,000. It is situated at the bottom of a deep chasm, shaped like a horseshoe, approximately 1500 feet deep.

The steam railroad from Lake Titicaca brings you to the edge of this chasm. You look over the edge and get your first glimpse of La Paz and it is a beautiful picture with the snowcapped Mount Illimani, standing guard over the city.

A trolley road takes you by a winding zig-zag course from the top of the bluff down into the city.

Here in the Plaza stands a monument to Murillo, who struck the first blow to free South America from the tyranny of Spain in 1809 and who paid the price by being publicly hanged on the spot where his monument now stands.

Whlie in Bolivia was struck the first blow for freedom, she was the last Province of Spain to receive her freedom and then only after sixteen years of fighting.

Many people in this country think the United States is the only land of opportunity, but at the banquet given us in La Paz, I sat beside the President of the Senate, a full blooded Indian, who came to La Paz a barefooted peon, with nothing but his poncho, or Indian blanket, an ordinary bearer of burdens, competing for his daily bread with the donkeys and llamas that transported merchandise through the streets of La Paz.

There is more merchandise carried through the streets of La Paz on the backs of men than by donkeys or llamas, for there are practically no vehicles in the city.

Suppose you wanted to move from one part of the city to another, you would hire a padrone, who would in due time appear at your house with his men. One man would take a bedstead, another the bedding, another a table, with perhaps four chairs tied to it, and the human stream would flow from one house to the other.

I saw one such moving. I should think there might have been twenty-five men in the procession.

In 1818 the independence of Chile was proclaimed and General O'Higgins was proclaimed the first President, but Spain did not recognize the Republic of Chile for over thirty years or till 1849.

Chile has an area of about 300,000 square miles, practically four times the area of New England. She has an estimated population of about three and one half millions, with, it is claimed, the smallest percentage of illiteracy in South America.

Valparaiso, with about 175,000 inhabitants, is its great open door for the products of the world.

Santiago, the capital, 115 miles inland, is its largest city with a population of about 400,000 inhabitants and is a 20th century city. Mining, including the mining of nitrate is Chile's largest industry and gives employment to over 50,000 people. Chile has the most wonderful conformation of any country in the world. The Almighty made its geographical demarcations. They are natural, not artificial. It has a coast line of about 2,700 miles, as far as from Boston to Salt Lake City and a width varying from 50 to 250 miles with an average width of only about one hundred miles, the Andes mountains being the natural barrier on the east. The northern 500 miles of coast line is practically a barren waste without a tree or blade of grass. Then there are seven hundred miles of fertile land with an ideal climate. Then 1,400 miles of mountains, wooded hills and beautiful lakes, extending down into the Antarctic Circle, and embracing thousands of islands. You will perhaps say that the wealth of this country lies to the south, but in that you are mistaken.

The present wealth of this country is in this 500 miles of barren waste and in this country we have no conception of these conditions.

In this barren waste, rain seldom if ever falls and has been the treasure storehouse of Mother Nature for all these

thousands of years, and you ask, "What has Mother Nature been storing up in this barren waste?" and one word answers your question—Nitrate. And what is Nitrate?

The story is told (which may be apocryphal) that years ago a Scotsman in northern Chile noticed that plants which he was only able to nurse and coax to maturity under ordinary conditions, throve without assistance where there was an ugly, whitish soil, and being of an inquiring turn of mind (as most Scotsmen are) he asked, "Why?" He sent a few bags of this whitish soil to his brother-in-law in Scotland, who distributed them among his farmer friends and its beneficial results were immediately noticed and the demand was created for this peculiar product—Nitrate.

In 1912 the product was about three million tons—Great Britain takes about 40%, Germany 20%, and the United States 20% and France 10%, the remaining 10% going to the world at large.

Mr. Bryce in his recent book on South America says that in the thirty years from 1880 to 1909 inclusive, the Chilean Government received in export duties on Nitrate about $412,000,000 dollars.

Nitrate is not shovelled out of the ground and sacked for exportation. Far from it, it has to be, so to speak, manufactured. Nitrate is a brownish gray salt rock. This is blasted out by gunpowder, made on the premises, salt petre being the base for gunpowder.

In this Chilean field there are about one hundred and twenty-five firms or corporations manufacturing nitrate. The crude product is crushed into a fine powder, boiled and washed, then allowed to cool and settle, and the precipitate, i. e., that which is left, is nitrate—one of the best fertilizers that the world has ever known.

These nitrate deposits are largely located in the Province of Tarapaca, which came into possession of Chile as the result of the war between Peru and Bolivia on one side and Chile on the other, in 1879-1881.

At the end of the Peru-Bolivian-Chile war, Chile having

taken possession of this territory kept it as a war indemnity, but Chile did not then know the value of the territory which she had annexed, as it had not yet been developed. It needed the development of the past thirty years to show what Chile had gained and what Peru and Bolivia had lost by the war of 1879-1881. As the result of this war Bolivia lost all her territory on the coast and is now an inland country being completely shut off from the ocean.

The export duties on nitrate are enormous (being based on the tonnage exported) and this may not be an unalloyed blessing to Chile.

In a sense this is *easy money* for Chile and easy money has never yet made either men or nations. Nations and men have grown and have become strong because they had to work for what they got, and the remittance man who got his check whether he worked or not has not been a large factor in the development of the world, for when the remittance was witheld the man usually fell down because he had not developed the power to stand alone, and as with men so it has been with nations since the beginning of Time. They must acquire the power to stand alone without artificial help.

One of Chile's most serious problems to-day is this wealth without working for it.

The income from these natural or, as we might term them, artificial sources will sooner or later as the deposits become exhausted, be greatly reduced; but that is many years in the future. Income from these sources has been used to reduce taxation so that Chile has not felt the burden of the costs of government but eventually the cost of government must be borne by the people and when this burden is shifted from a God-given source of revenue to the shoulders of the people, unless Chile will in the meantime wisely plan for the future, she will have an awful problem to solve, for God-given advantages do not develop men, and where God has done the most for man, man has done the least for himself.

The Chilean government is wisely using a part of the

revenue from this source of wealth in developing the country, by the building of railroads and the construction of port facilities, so that while they are exhausting one source of national wealth they are wisely creating another source of wealth.

During 1912 there were expended about thirty-five millions of dollars in National improvements and at present they are planning to spend fifteen millions for dock facilities at Valparaiso.

The City of Valparaiso (the vale of Paradise) has been it seemed to me marked by the British more than by any other commercial interest. It is strictly a commercial city and the trade, especially the larger trade, is in the hands of foreign importing houses.

We were advised that the Germans had made inroads on the trade of the British manufacturers in many lines of industry, their programme being to duplicate or copy the British goods, but to cheapen the quality.

Never in my life have I been so impressed with the National spirit as in Chile. Every man I met was at heart a Chilean. His father or grandfather might have been British, French or German (the American is hardly a factor) the mother would be a Chilean, and the children have seemed to follow the racial bent of the mother more than the father.

Antofagasta, Chile, is a coast city of about 45,000 inhabitants—not a paved street in the city—a very busy place, but no local pride to develop the city—just a place out of which to make money to be spent somewhere else, for the business is largely carried on by foreign houses.

I cannot picture to you the desolation of this barren coast for a thousand miles—not a tree or blade of grass, except in the little valleys through which some small river reaches the ocean.

There are practically no railroads running parallel with the coast. The railroads run into the interior, running up some valley to the foothills forty to ninety miles. The In-

terandean Railroad crosses the Andes mountains from Los Andes to Mendoza in the Argentine.

The ports or coast towns are simply the doorways by which to enter the country and as one man said of Antofagasta, "It is a city created by man in spite of Nature and God," and you would agree with him that that was a good definition if you could see the city. It is a very busy city, but it does not build up Chile.

Argentine is the second largest political division of the continent, having an area of about one million one hundred thousand square miles, being more than one-third as large as the United States, not including Alaska. It is claimed to have a population of about seven and one-half to eight millions, approximately 20% of whom live in Buenos Aires, its capital and principal city.

There has been for the past forty years a steady flow of immigration to the Argentine from the old world, the Italians outnumbering all the others combined, representing probably 20% of the population.

It is the great wheat and cattle raising country of South America. They are doing things along agricultural lines on an enormous scale. One of the gentlemen, whose acquaintance we made on the steamer coming north, cultivates his little wheat field of twenty-four thousand acres.

The Argentine may be rightly called the granary of the world. They can grow almost everything that we in the United States can grow, and cheaper than we can grow it. With their climatic conditions they claim they can raise cattle at a cost lower than in the United States, but from the nature of things she must be a large buyer of manufactured articles, for she has little or no coal or iron ore and other minerals (at least they are not yet in evidence), and but comparatively little timber suited to modern industrial needs.

Until recently the packing industry has been largely in the hands of the British and German packers, but latterly our American packing houses have established large

refrigerating plants and are becoming active competitors for the business.

What shall I say of Buenos Aires? How can I describe it? I had to pinch myself at times to realize that I was *not* in Paris. The buildings, stores, people on the streets, the cafes, with seats and tables on the sidewalks, all suggest Paris. The streets in the old part of the city are very narrow, most of them being only wide enough for two teams to pass and the sidewalks on each side are often not more than three or four feet wide and this, bear in mind, in a city of about 1,400,000 people.

Never have I seen such street congestion. Practically all the down town streets are "one-way streets"—i. e., the traffic must flow one way and on many of these streets after two p. m. no vehicles are allowed and the streets from building to building will be as congested as Fifth Avenue sidewalk on Easter Sunday.

The entertainment committee was on hand bright and early and we were taken out for a sail around the harbor that we might see the wonderful dock works, when laid out supposed to cover the needs of Buenos Aires for forty years and before they were really completed the city had outgrown them, and now it is the usual sight to see three and four steamboats abreast tied at a dock; the merchandise being carried across the decks of the two boats nearer the dock in loading and unloading.

Each year there is a constant stream of laborers going from Europe to the Argentine solely for the wheat harvest and when the season's work is ended many of them come north, going to the northwest and Canada to work the harvest there, and then returning to Europe.

Some stay a number of years and some return each year. On our steamer from Buenos Aires to New York there were 169 passengers in the steerage. The purser of our vessel posted a notice that at a certain hour he would be in his office to receive the money and valuables of any passengers who desired him to care for them, and, at the appointed

hour, over fifty of these steerage passengers were in line waiting.

Some preferred to keep their money on their persons, but there was passed over to the purser for safe keeping over $100,000 in gold.

We now come to the little buffer nation, situated between the Argentine on the south and the United States of Brazil on the north, Uruguay, having an area about equal to that of New England and a population of about one and one quarter million.

Montevideo is the capital with a population of about 350,000.

Uruguay is called the white man's country of South America, the majority of the foreign population being Italians and Spaniards.

Uruguay is the only country in South America on a gold basis, their gold dollar having an intrinsic value of 103.4 as against our 100.

While on this trip we were given an object lesson of the value or rather lack of value in a depreciated currency.

At the time of our visit in Panama the dollar was worth 50c., in Peru 50c., in Bolivia 40c., in Chile 20c., in Argentine 40c., in Brazil 33 1-3c. and in Uruguay 103.4 and with the exception of Uraguay, since our visit, on account of the war in Europe the currency has depreciated still more.

This little country of Uraguay impresses one with an air of prosperity, solidity and thrift.

The Republic of Brazil has an area of 3,300,000 square miles, being 200,000 square miles larger than the United States, excluding Alaska.

It is formed of twenty states and one federal district and has a population of approximately twenty to twenty-four million, the language of the country being Portuguese.

It has a coast line of about 5,000 miles and little is yet known of this great continent as it has not yet been explored.

Do you realize that the Amazon river is 150 miles wide at its mouth and is navigable for 2,500 miles? Say from New York City to Salt Lake City.

There is now and there must always be great differences in the people of Brazil. The people in the southwestern part of the country have a higher degree of intelligence than in the tropics, where there is such a large proportion of indian and negro population which is of course illiterate.

There is in Brazil a very strong state rights feeling. It is in kind like the national feeling shown by Chile but it is a feeling toward the state rather than the nation.

This is not to be wondered at. This country is so large and so different that the people can as yet have very little in common. How can they have, separated as they are by thousands of miles of impenetrable swamps and jungle, almost impassable mountain chains, enormous rivers, all of which separate and tend to isolate the people of the different parts of the country and with practically little means as yet of communication; they have grown as isolated state units rather than as a national whole, and while loyal to the state they do not seem yet to have grasped the entity of the nation. How could they?

God has indeed been good to Rio, in that He has given to her the finest harbor in the world. The great Architect of the Universe has given to Rio his finest example—his great masterpiece and while the world will have a larger population than it has to-day, it will have no more harbors like Rio, for the Almighty has finished his work and is not now making harbors.

Rio is one of the miracles of the 20th century. No other city on the face of the earth can even approach the progress made by it since this century began.

It is hard for the mind of man to compass the improvements made. To cut a swath 120 feet wide and one and a half miles long right through the most congested part of the city destroying almost seven hundred buildings, and build an avenue which is said to be one of the most beautiful

avenues in the world, required men with a vision and nerve and the courage of their convictions and while these men were doing their work they got their usual pay for the services rendered, but even now, and increasingly so in the future, the people of Rio will bless the hands that guided and the hearts that planned these larger things, which have made Rio not only great but beautiful among the cities of the world.

I counted it one of the great pleasures of our tour to have made the acquaintance of Paul de Frontin, the great engineer who laid out this wonderful avenue under Rio's great Mayor, Passos.

They had to do it. Many of the streets in the down town district were only about twenty-five feet wide. The main business street of Rio for shopping is to-day Avenida Ouvidor and is not over twenty-four feet wide from building to building.

These South American Republics have not financial resources of their own sufficient to meet the demands for the development of their country, and they have been and are now largely dependent on the foreign bankers for credit, and now that this avenue has been closed by the war in Europe they have nowhere else to go. They are in exactly the same position that the United States has been in. We too have been largely dependent upon foreign bankers for the means with which to develop the resources of our country. The war in Europe has made us appreciate as we never did before the large amount of our securities which are held abroad and which it would greatly embarass us to redeem at short notice.

When in South America I heard this statement made repeatedly, "What we need is more banks," but with the limited time at my command in which to make the superficial investigation which I was able to make, it seemed to me that the banking business was pretty well cared for by the nations represented and I have had a feeling that what was really wanted was one more place from which to

borrow. If we want and expect to obtain any considerable portion of the trade of these South American countries we must put ourselves in a position to extend them credit. They cannot come to us if we do not do this.

A gentleman representing large foreign interests, in a burst of confidence, said to me, "We do not want any more banks, we are satisfied as we are." Of course they are. The stream is flowing in their direction—why should they want to divert it into any other channel? It is human for them to look at their problem from this angle of vision. The United States banking interests practically were not represented at all and that no doubt would militate against the development of our commercial interests. Since this address was prepared the National City Bank of New York City has established a branch at Buenos Aires and so a beginning has been made, but if it is to be worth anything to this country it must be treated only as a beginning. Its capitalization will be only as a drop in the financial reservoir of South America.

If we desire to cultivate a closer commercial connection and create a business with these countries then we ourselves must provide the means to that end, and another of those means would be shipping facilities in addition to banking facilities. For this reason we must be in a position to do business with banks which would be in full sympathy with the development of the trade with the United States. And this must be a reciprocal trade relationship. We must be prepared to furnish them a market for their products as well as to provide a market for our own.

Our merchants, manufacturers and importing houses, while negotiating or executing their contracts ought not be obliged to give their case away to a bank whose interests lie in another direction and who, in working with their own people with a community interest, could checkmate our every move.

These chains of foreign banks not only furnish exchange but they also act as a credit bureau for their clients and

being on the spot, they have a personal and intimate knowledge of what is going on and of the financial standing of the parties and they take an active part in promoting their client's interests, for by so doing, they are also advancing their own interests. They give us a splendid object lesson of National team work, and these interests, and they are large and commanding interests, do not intend to let the men of the United States throw a monkey wrench into their smooth working machine, and we would not willingly allow them to do it if the case were reversed.

The foreign firms which so largely control the commercial and financial interests in those countries have been established for many years. They were planted many years ago by strong pioneers of commerce, who went there as young men, many of them finding their wives there, and they have become a part of the people, they laid solid foundations in the days of smaller things, and they have grown naturally with the growth of the countries they have served and now in the day of larger things they are in a strong and commanding position.

We must not think we are going to dislodge them to-morrow or the next day and take the places they now hold. If we do so think, we will make a grave mistake for we will do nothing of the kind. We will be in the position of a friend of mine, a young minister, who was settled in a country parish, following a strong man, who had filled the pulpit for twenty years. Soon after he began his work, he met one of the old parishioners, who, when introduced, said to him: "Oh, you are the young man who has come to take Dr. Lamson's place," and modestly the young man replied: "No, I have not come to take Dr. Lamson's place but to try to make a place of my own."

So I am convinced that if our country is to have a share in the commerce of the South American Republics, our manufacturers and merchants must be content to do as these earlier pioneers did; begin in a small way and lay a secure foundation for the larger growth that is sure to come,

and thus make a place for themselves which will be secure.

If they labor under the impression that they can break into that market with a meat axe they perhaps will be mistaken.

The so-called hustler does not always "arrive" in these countries. They do not always take kindly to his ways. The native South American has a graciousness of manner which some American hustlers lack, but which we would do well to cultivate, thus adding that fine quality to our honesty and integrity.

We do not any of us, even here in our own country, welcome with open arms the competitor who is to compete for our established trade and divide the volume of business which we have been having and which we want and which we doubtless would get, if there were no intruders; and human nature is just the same in South America that it is in New York or elsewhere.

It is not to be wondered at that we do not always get detailed information which would better enable us to secure part of the trade of the party from whom information is being sought, and I was often surprised at the frankness shown by men with whom we talked along this line.

We are not going to get that trade just because we are from the United States. In fact, I believe I am justified in saying that in certain quarters that may be a handicap.

These large foreign commercial and financial interests do not want us there—why should they? They are satisfied with the present conditions and do not want to be disturbed. That is a conservatism which is always in evidence with years of growth. For years influences have been at work to create a political prejudice against us which militates against our commercial interests and we might as well understand that before we begin.

It is so easy for the man on the ground who wants to create an unfavorable impression to create it, to suggest as the manager of a large German importing house did suggest while we were in South America.

In conversation with a gentleman in referring to our visit, he asked, "What are they here for?" And he then added that *his* countrymen had come there and had invested their money in the development of the country but with no thought of annexing it, and by inference, he tried to leave the impression on the mind of the party with whom he was talking, that our country had such designs, and as one man did say, while we were there, "the closer the commercial connection with the United States and the larger the business interests, the sooner will the United States gobble you up bag and baggage."

Instill that poison into the minds of men day after day with no United States representative to counteract it and you can well imagine the results.

The diplomacy of the big stick, so called, has a very small place and rightly so in the esteem of the South American people.

At one of the banquets given us, one of the leading bankers of the city, who was chairman of the reception committee, said to me during the evening: "Do you realize that there is a very deep seated feeling in the South American Republics in regard to the imperialistic ideas and designs of your great Republic in the north?"

My reply was: "If so, there is no ground for it. It is simply a man of straw created by interests which do not want us here commercially. United States has no imperialistic designs on South America. Never have I, in public or private, heard a man say a word or even vaguely suggest that our country desired one inch of South American territory or that we desired one commercial advantage that would not be common to mankind and to the mutual advantage of both countries."

I said, "I cannot state the case too strongly."

His reply was, "Yes, but you know what happened at Panama and that is a sore spot in South America."

I replied, "Yes, and you will also remember what happened in Cuba." If the United States had been reach-

ing out to absorb territory would she ever have spent the money and sacrificed the lives of her young men to free and then pacify Cuba and then hand back the government to the Cubans?"

The question answers itself.

When we parted company later in the evening, this gentlemen expressed great satisfaction at what I had said to him and he then added, "Politicians and Diplomats too often use language to conceal rather than disclose their real thoughts, but in talking with you, I feel that I have been talking as man to man with perfect frankness and that I have been given the truth."

The day following when I called at the bank to pay my respects and return thanks for the courtesies extended to us and say a last goodbye, he again referred to our conversation expressing great satisfaction. This conversation was typical of other conversations, and I can but feel that as ambassadors of commerce, we were permitted to say some things and to leave some impressions which will be of benefit in ironing out some mistaken notions with regard to the attitude of the United States towards its South American neighbors.

Many people in these countries fear the return of Mr. Roosevelt to power—they are afraid of him, and this fear is being worked for all the traffic will bear.

M. F. Garcia Calderon, in his book "Latin-America, its Rise and Progress," after describing the efforts put forth by the Germans to obtain a foothold in South America, says: "To save themselves from the Yankee imperialism the South American democracies would almost accept a German alliance or the aid of Japanese arms; everywhere the Americans of the north are feared."

The Monroe Doctrine he describes as having been transformed from a doctrine of defence to one of offence and our recent history, including what they call the seizure of the Panama Canal Zone is read into the indictment.

The people of South America have not understood that

the United States meant by the Monroe doctrine only good-will and protection from the encroachment of monarchial governments across the seas both for our own as well as their protection, but there have been too many, who for their own selfish interests have given to it and have cultivated a meaning which made it repugnant to a proud and high-spirited people.

These people were charmed by Secretary of State Root, who, on his tour of the South American Republics, several years ago, by his courteous simplicity, dignified manner, and his eloquent, forceful and, above all, friendly message, did much to allay the suspicions and iron out misunderstandings with regard to our attitude toward our South American neighbors.

They greatly enjoyed the eloquence of Mr Bryan. He evidently created on the whole a very favorable impression, but he was somewhat of an enigma to some of them.

Many of them could not understand how a politician could make the burden of his speeches ethical ideals and religious truth as he saw it, and as several gentlemen said to me, "that man is a preacher, not a politician," to which I replied in the language of the street, "Forget it, you don't know him."

If I might be permitted to say it, the one fly he left in the ointment was his attitude on the wine question. He was *their* guest and they felt that courtesy should have led him to conform to the customs of *their* country, whose guest he was. It was not necessary that he drink the wine, but they felt he could have raised his glass while responding to a toast to the President of their Republics at the functions given in his honor without a violation of principle.

In our thought we have considered that because the people of these countries are called Americans and because their governments have in a large degree been patterned after our form of government that their thought is or ought to be the same as ours, but in that we make a very great mistake. The conditions are entirely different.

Let me quote from an address of a former President of the Argentine:

"The problem in these South American Republics is very different from the problems in North America. The spirit that surrounded the cradle of the Republic of Washington was not the same as that which presided at the advent of the South American democracies. The proud conquerors in iron mail who trod this part of America with rare notions of liberty and right, with absolute faith in the effect of brute force and violence, were very different from those Puritans who disembarked at Plymouth with no arms but the Gospel and with no ambition other than that of founding a new country."

"Hence the Latin Republics stand in need of a greater amount of perseverance, judgment and energy to wash out the original sin, and to assimilate virtues which they did not inherit."

Their language, education, social and commercial affiliations, their very thought, is distinctly Latin and why should it be expected to be otherwise? Their blood, their traditions are all of the countries from which they sprang, and that blood has not been put through the melting pot which in the United States has blended the people of our country in a sense into a homogeneous mass.

They have not had the benefit of a public school system such as ours to do this blending, though the Argentine, Brazil and Chile are now making splendid progress in this direction, consequently they have continued to keep in close touch to a greater degree with the countries from which they or their people came.

They have maintained their trade and financial connections with the old world. All their natural inclination would be that way. It was following the line of least resistance to do so and as a matter of fact they were nearer to Europe than to the United States. It called for more of an effort to trade with the United States than with Europe, beside the European countries sold them the kinds of

merchandise they were in the habit of buying and which they wanted to continue to buy, whereas too often the merchants and manufacturers and exporters of the United States insisted on trying to make them buy the merchandise which suited the home market in the United States.

Dr. Lauro S. Miller, Brazilian Minister of Foreign Affairs and special envoy to the United States in 1913, said in an article in the New York Sun, Aug 10, 1913:

"If you ask a German business man in Brazil whether he can supply any object under the sun he will say yes, and if necessary he will cable instructions that a sample be manufactured and shipped.

"The American commercial agent will proclaim his lack of interest in goods which his firm does not happen to have on the list."

He could have gone further and said the national spirit was so strong and there was such team work even among sharp competitors that they would help their national competitor to secure the business rather than let it go to foreign competitors—another splendid object lesson of team work which produces results.

The immigrants who came to the United States in the period up to say 1880 came with the distinct purpose of making their home in the new land in which to rear their families. The cost of coming to the new country was relatively large and it was a great burden and the immigrants never expected to return to their native land. Their home in the future was to be in the land of promise and opportunity. The ocean has now become a ferry and the immigrant in many cases comes expecting when he has made some money to return to his native land. He does not become a citizen. He often has no thought in that direction. America, both North and South, to many of the immigrants now, is simply a place to work and earn money to take back to the old country. He comes as an alien and he remains an alien, expecting when he has "made his pile," be it large or small, to return to his old home.

We in the United States have been getting of late years a large number of what might be called itinerant immigrants, who come to this country with no thought of making this country their permanent home. The South American Republics got comparatively few of the early immigrants such as came to the United States prior to say 1880, their growth has been largely since the ocean became a ferry.

Since then South America has had a large foreign immigration, but it has been in a large measure of the itinerant variety. They have not taken root in the South American soil. They have remained Italians, Spaniards, Portuguese, Germans, French, etc., adhering to their own homeland customs, eating the same food and even after thirty-five years demanding imported macaroni, spaghetti, etc.

They have intermarried among themselves, but a large portion of them have in no sense become Argentines, Brazilians or Chileans, etc.

They have not been assimilated as have the earlier immigrants who came to the United States. In fact, until very recently people of South America did not desire them as citizens.

They wanted them to come because they needed their labor, but they did not desire them to purchase land, though they wanted them to till it.

In other words, the large land owners wanted to retain their large holdings as plantations to be worked on shares so that they, or their families, might get all the benefit of the unearned increment of the coming years.

The broader minded men of to-day see that that is a mistake and that in order to make a citizen who will be worth something to the country he must have a stake in the soil—then and then only does he cease to be an itinerant laborer, whose interest is here to-day and elsewhere to-morrow; with ownership of the soil the anchor holds. The Agricultural and Educational departments of the Argentine, Brazil and Chile are doing splendid pioneer work

along this line. Other countries may be doing the same but the work was not so much in evidence.

Business in South America is very largely in the hands of the foreign importing houses, firms with large means, large stocks of merchandise, and well established connections and they supply the smaller houses who do the distributing.

These smaller merchants or distributors, if I might use that term, are generally speaking the real South Americans, and they are not entirely happy under present conditions and would be glad to open up other avenues through which they might secure both merchandise and credit and at the same time dispose of their own products.

They feel that they are in a sense in a pocket, but their line of credit with these large importing houses is in most cases stretched to the limit and they are not always free to open up new avenues for the purchase of other goods. Many of them would not dare to do so, through fear that if it were known their line of credit might be cut down; and if the importing houses on which they depended did this, the connection between the importing houses and the bank is often so close that there is every likelihood that their bank loans might also be called so that they are not entirely free agents in this matter.

Notwithstanding these conditions, they frequently do try to establish other connections for the purchase of merchandise, but when the remittances are made, then the close connection between the bank and the importing house again does its work and the fact is at once known that purchases are being made outside the regular channel.

The nearest analogous condition that I can suggest we find in the printing trade in this country, where a printer with a small capital is in a degree owned by the jobbing paper house from which he purchases his supplies. In proportion to his capital he owes his jobbing connection so much that he does not dare to buy from any other source for fear that the jobbing house that has been carrying him will refuse to continue to carry him and call upon him to square up his account, which he knows he cannot do.

This same condition which applies to other lines of trade well illustrates the condition which exists in South America.

Bear in mind that through the boards of directors of the bank, through their National clubs and social organizations, which are practically in every city, there is a community of interest in operation of which we in this country have no conception.

We were in school in South America, in fact, we were in the kindergarten class. In a sense we re-discovered South America and we also discovered our own ignorance in regard to the great Republics in the Southern continent.

We were humiliated by our lack of knowledge of our neighbors in South America, but there is a reason for most things and there is for this.

In our country we have had a continent to develop and have been very busy tilling, so to speak, our own large farm, and it has made our thought along certain lines very provincial.

We have not been compelled to go to the four corners of the earth for business and we have not thought in terms of the world as some nations have been compelled to think, and while we have been busy at home, they have been planting the seeds of their business all over the world and the roots have taken firm hold in the soil.

The thing that impressed me and made me humble and sometimes humiliated was our provincialism—our localism as compared with the world knowledge and world vision which some of the men had with whom we talked.

While our minds were in a degree provincial, the minds of many of the men we met were international.

They saw a world where we saw only our country. Remember we had an opportunity to meet many of the brightest men who are in control of the larger commercial interests and after such conferences we soon got over the notion that we in the United States invented business—we did nothing of the kind.

We can with profit take lessons from some of the men from the other nations of the earth.

From remarks made to members of our delegation we are led to believe that our visit to the Republics of South America was the means of bringing closer together different commercial and financial organizations in some of the cities visited. We were told that some organizations had been brought together to entertain our delegation that had really never co-operated before, and, as a result, competitors in some of these cities met on a social basis for the first time, and I have no doubt each voted the other a royal good fellow, whom it had been a pleasure to meet.

Now to the object of our visit.

It is our hope and expectation that this tour which we made will result to the mutual advantage of all countries and if it does not work to our mutual advantage, then no lasting benefits will result; for waywise business men have learned that there are and must be two best ends to every bargain—that both parties to a business transaction must be satisfied if they would continue to do business. If the benefits are all on one side they will drift apart.

It is our hope that in the years to come our people and the people of the countries we visited will look back to the time in 1913, when there began a new era in the friendship between our countries, out of which will have grown a volume of commerce larger than we of to-day would even dare to dream, for we know that the currents of trade run strongest where friendship, confidence and good-will exists, and where these are lacking there are no trade currents worthy of the name.

Now permit me to speak directly and pointedly to the American manufacturer, merchant and exporter. You will never get any considerable portion of that trade by appointing agents to represent your lines who also represent competing lines from Europe. You may get a few orders—just enough to retain the agency, so to keep informed as to what you are doing and know your best prices and terms and I might be permitted to add, just enough to dispose of you as a competitor by tying your hands and you

may be as completely disposed of as though you had been driven out of the market by competition; but in one case, you would have gone down fighting, while as a matter of fact, in the other case, you were simply put to sleep.

You will never get any considerable portion of that trade by absent treatment methods. The men who control the trade now did not get it by that method, nor will you get it by the appointment of agents who simply keep your catalogues on file, and who show your goods and quote prices when a customer calls and inquires for your goods. You would be in bankruptcy in this country to follow that policy.

What reason have you to expect returns in a foreign country following a policy which you know would spell failure here, where you are supposed to know all the commercial conditions.

You will not make much money to begin with because the volume of business will be small to begin with. In fact, you must expect that the balance will be the other way this year, next year, and perhaps the next year. You must be content to make investment for the future without present returns. You must be willing to pay for your own education because no one else will pay for it. You must pay for the seed and the cost of planting and tilling and be content to wait for the harvest later.

That is what you would do if you were starting a new business here in this country. Why should you expect returns in a foreign country on a different basis?

The successful merchant and manufacturer is successful in this country because in season and out of season he is following the example of the Great Apostle Paul, "This one thing I do."

The men who have built up a successful business on any line of goods do not usually carry them as a side line. They make the line their principal business and keep eternally pushing it.

You must be continually pushing your goods, bringing

them to the attention of prospective buyers, and, in a word, creating a demand and compelling them to buy. That, and that only, brings success in this country. Why should you expect success by any other course in markets where you must meet the competition of the world?

You must learn to do business in those countries the way their merchants want to do business. You must conform to their ways and not expect them to conform to yours, and socially you must be able to talk with them intelligently about the things they are interested in, your life and theirs must flow together.

Their business life seems to have in it a larger social element than does ours. You must try to please the customer, and satisfied customers are the largest asset that any business house can have, for satisfied customers usually have no desire to change their connection.

You must be able to give expression to your thought in the language of the customer whom you hope to serve without the aid of an interpreter.

There are a good many things that cannot be done by proxy. I will grant that you can make love to a girl even if you don't understand a word of her language and she doesn't understand a word of yours, because the language of love is a universal language, but you cannot sell goods on that basis.

How shall we get a part of that South American trade? First, we must set a high standard for commercial integrity. We must see to it that the word of the American merchant, manufacturer or exporters in respect to his goods rings true, not occasionally, but every time. There must be no substitution of grades. Standards of quality must be maintained and we must do business with a sixteen ounce pound and a thirty-six-inch yardstick.

We must turn no short corners in commercial transactions. Every "scrap of paper" must stand the acid test of integrity.

We must set for ourselves the highest commercial ideals

and thus and thus only shall we have a right to rank among the great commercial nations of the world and obtain a share of their trade.

In conversation with one of the largest men whom it was my privilege to meet in South America, he said: "I used to feel in coming to the United States that I got a moral commercial uplift but I do notfeel that I get it now that things are so commercialized."

I asked him if he was entirely certain that the trouble was all in the United States. Might it not be that he was breathing, perhaps helping to create an atmosphere of competitive commercialism which made it difficult to recognize moral standards, and his reply was "perhaps so."

Now be that as it may, if commercialism is so taking possession of men that moral commercial standards are being lost sight of, then the foundations of permanent, successful business in these countries are not being securely laid.

The merchants of these countries visited have connections of many years' standing and in many cases trade friendships have been formed which do not bear the sign of the dollar.

These merchants are intensely loyal to business friends who are loyal to them and they will be just as loyal to us when we have through years of friendship and service earned the right to such loyalty, but not till then.

The great majority of clerks and the men who will in the coming years become the buyers and managers for commercial houses in South America are largely foreigners—Scotch, English, Germans, etc.

The North American is really not at present in the race and you ask, "Why?" The answer is, because he has not been crowded out of his own country as these other men have.

In a sense, the man from the United States has not been obliged to go abroad. Necessity has not been the impelling power to force him out into the world. The North American

feels that he can go back home any time and too often he has gone to South America with no intention of making that country his permanent home. As one man in a commanding commercial position said to me: "I can get better service from the other class of men, for they intend to anchor and stay here and their mind is on their job, first, last and all the time.

I have had a great many young men from the States and and most of them have looked upon a trip to South America as a kind of junket or vacation and at the end of a year or eighteen months, they begin to sigh for Upper Broadway and the Bowery, and incidentally $12.00 or $15.00 per week, whereas the men from Scotland (and they are among the best) and England and Germany expect to remain here permanently.

Now we will suppose you are one of these young men from Europe, with all your connections in Europe.

If you were a buyer where would be your natural inclination to send your orders for merchandise?

To the United States, where you know no one, or to your own country, where you know the men with whom you are doing business and corresponding regularly?"

The question answers itself why the stream flows to Europe rather than to the United States.

It is not going to be an easy matter to take any considerable amount of South American business.

The foreign nations now there are securely entrenched. They have built up their business by persistent and intelligent effort and they have the "know-how" which it took them years to acquire and of which some of us do not yet know the A-B-C.

In many cases the tariff duties are in effect prohibitive and in some cases anything but equitable, and can be changed simply by an executive order; for example: in some cases the duty is levied on the weight of the entire shipment including the wooden cases.

Take the case of my own business. The tariff on paper

and envelopes is based on weight by Kilo 2⅕ lbs. and the duty is thus the same on an envelope costing 50c. per M that it is on an envelope costing $2.00 per M. Duty on shoes is by the pair, so that a cheap shoe pays the same duty as the more expensive goods.

It would be simply impossible for any one on a flying trip such as we made to lay down rules or formulate policies by which manufacturers of different lines of business could plan to enter these markets.

Our knowledge of the different lines of industry would be too meagre for that. All one can do would be to briefly outline conditions, and each particular line of industry would be obliged to make a close study of the conditions connected with their business and for themselves determine the kind of goods for which there might be a market and how best that market might be served.

For example, a man in the steel business might not be qualified to determine how the paper business ought to be handled, nor would a man in the paper business be qualified to determine how plumber's supplies should be marketed.

We must send good men who thoroughly understand their lines of goods. That does not perhaps mean to send a crack salesman who has made a great record in the States. The problem here is a new one and such a man would not be satisfied with the small volume of business which he might develop, for he may have grown past the day of smaller things, but what we want to do is to select a young man of promise who gives evidence of ability, who has not yet as the French would say "arrived," but who is willing to begin where the crack salesman began twenty years ago to build up *his* trade and who will grow with the growth of the business, and who will cultivate that finest commercial asset, confidence and goodwill, so that he and his trade will grow together.

There is a lot of talk in the newspapers about "America's seizing the world's trade," but there won't be any seizing of the world trade except as the result of the hardest kind of

If your customer orders goods packed "knocked down" then pack them that way. When in South America I was given the detail connected with a $1,500 shipment, which cost an *excess* tariff duty of $226 in gold, because the manufacturer thought he knew better than his customer how the goods ought to be packed, or perhaps (which is more likely) he did not *think* at all. In this case the tariff regulations provided two schedules, one "set up," the other "knocked down" at a lower rate of duty. The customer knew those conditions, the manufacturer did not.

When your customer says, "Waterproof lined and securely strapped with wire, or steel strap your cases," follow his instructions. If you had ever seen them unloading goods from a steamer to a lighter on the west coast of South America, with the lighter rising and falling ten or twenty feet with each wave, and with the sea breaking over the lighter, you would know why your customer was so particular in giving instructions.

There are few harbors, and practically no docking facilities on the Pacific coast of South America and vessels are obliged to anchor in the open roadstead, and both passengers and freight are taken ashore in lighters, a most inconvenient method for loading or unloading either passengers or freight for in stormy weather it is impossible to do either.

I talked with sea faring men who had been obliged to wait for a month for suitable weather in which to land their cargoes and with one captain who was once detained six weeks before he could land a cargo of railroad supplies.

If your customer orders you to put certain numbers on your cases, follow his instructions; but if you are a jobber, do not leave on the factory numbers, thus double numbering the cases. Be sure that the case numbers on the cases and invoices agree, and that there is only one case number on each case. When cases are delivered at the custom houses the case numbers are taken by a checker and when consignees present their invoices the numbers are checked up.

When in South America I saw a shipment which had been lost for months, and which had been the subject of much correspondence between Callao and New York, and which had created much bad feeling while the goods had been in the custom house storage at port of delivery all the time, rolling up a bill of expense. The dock clerk in checking in had taken down the factory numbers.

The jobbing house in this case had in addition put on their shipping numbers, those being the numbers on the invoices, but the checker had taken down the factory numbers and they had no record of the case numbers on the invoices and reported that the goods had not arrived.

If you begin to do business with a firm when you need their business then stay with them, and do not neglect them as soon as your local business revives. You may want them later, and it will be easier to keep them as customers than win back their business after you have neglected them. They never forget or forgive that kind of treatment; their business is not entirely for your convenience.

If you have foreign business and you must delay some shipments do not delay the shipments to your foreign customers to whom you can ship only occasionally. Bend all your energies to ship the goods. Some of your local shipments can go the next day without loss or inconveniece, but if this export shipment misses the connection, that one day's delay at the factory may cause a month's delay in the delivery of the goods, for the shipment may be timed to catch several steamers before it reaches its final destination.

And finally, on your mail, be sure and put on sufficient postage. It is not the amount at issue, it is the constant petty irritation that hurts.

I am not perhaps qualified to speak on the subject but as South America is not yet a manufacturing country the demand for machine tools, it would seem to me, must at present be limited. They have not grown to that yet. Manufacturing plants and the skilled mechanic in that country are not in evidence in large numbers. Now how about business in our country for the future.

intelligent, persistent and painstaking *work;* as one forceful writer has said: "I believe if America tries to shoulder the world's work to carry the 'white man's burden' it will get all it ought to get of the world's trade and profit. Furthermore, if it takes the burden of the world's work it will be so sobered as to prevent a vast deal of rough and tumble business, that without adequate preparation will grab for what it cannot hold and what it was never worthily prepared to get."

It is not going to be an easy task, but the Almighty has no rewards for the man who is looking for an easy place. I have always understood that the only real easy place on this earth is the grave, but that is the place for dead men.

South America is no place for a man who finds the pace at home too fast for him. The pace is going to be fast there where we must meet the competition of the world.

In this address I have tried not to deal with glittering generalities but have tried to be specific and deal with things in the concrete. I have tried to make you see the country, the people and the conditions as I saw them. I am conscious that some of the detail reads like kindergarten instruction, but that is what we need in this country in the matter of foreign business.

Now in closing, let me point out certain definite things to be carefully noted.

Learn to observe the amenities of business. Do not put into your business so much hustle that the courtesies are crowded out. Courtesy with these people will pay substantial dividends.

To get and hold any fair share of the South American trade, we can do several things with profit. Cultivate the scientific thoroughness and painstaking care of the Germans to whom no detail is too small, but do not cultivate his lordly, domineering and insulting attitude of superiority which is everywhere in evidence. Cultivate the courtesy of the refined Frenchman, Spainard and Italian, and the bull-dog tenacity of the British in holding a customer,

always having in mind that it is exactly the same there that it is here, more easy to hold an old customer than to get a new one.

We will grant that customers will be hard to get, but the same quality that makes them *hard to get*, will make them *easy to hold* if you treat them right, and you have no business in those markets if you do not intend to do that. Remember you are in this field in competition with the world.

Do not have a half dozen prices for your goods. Make your terms as easy and prices as low as you ought to make them, and then stand by your guns.

Maintain the quality and never substitute something else just as good or pretty nearly the same or even better quality. If you have not got what is ordered and cannot get it, do not send anything. *But try to get the thing ordered*, even if you do not break even on the transaction. The small amount lost on the transaction may be a wonderful investment for future business.

Do your corresponding and invoicing in the language of the people you have to serve, and sign your letters with a pen and never with a rubber stamp. That does not look well, nor is it good form in this country, and it is looked upon as being still worse in foreign countries.

Fill orders exactly as given. Do not add to, or send short, if it can possibly be avoided, and, if need be, inconvenience yourself a good deal in order to ship the exact amount ordered.

When your customer says—cases not to exceed a certain size or weight, follow his instructions. Your customer knows the carrying power of the donkey or llama which is to take these goods over the mountain trails into the interior. You do not know that.

Pack your goods the way your customer orders them packed. They are supposed to know how they ought to be packed to meet the demands of their market. They know the conditions—you do not. Assume that they know what they want when they order, you think you do when you order goods.

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"THE GREATEST MOVEMENT IN AMERICA"

By

LAWRENCE CHAMBERLAIN

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"The Greatest Movement in America"

By Lawrence Chamberlain.

ABOUT a year ago the President of an American business organization laid before one of our foremost capitalists and public spirited citizens an outline of the brief history of that organization, its structure, and its ambitions. The distinguished citizen, according to his custom, caused to be undertaken by his aides a thorough investigation of the matter presented and thereafter invited the President to his home. "I am tremendously interested in this work," said the host, "and believe you are heading *the greatest movement under way in this country to-day.*"

The citizen may be nameless; the president was Harry A. Wheeler, also vice-president of the Union Trust Co. of Chicago; the organization was the Chamber of Commerce of the United States.

"The greatest movement under way in this country to-day" is a very strong characterization, coming from a man who is head and shoulders of more than one great movement. In this age of unrest the world over, the United States has a fore place as initiator and cultivator of epoch-making ideas. In competition with socialism, with social democracy, with feminism, with enfranchisement of women, with liquor prohibition, with evangelism, with (possibly) militarism, and numerous other isms and cults that enlist sympathy and support on every hand, to be "the greatest movement" requires tremendous distinction and unusual proofs to win acceptance.

The present Chamber of Commerce of the United States had a notable beginning. In April, 1912, William H. Taft, then President of the United States, called a conference in Washington of representatives of all local commercial bodies to discuss the advisability of a national organization of business men. Out of the fullness of his own ripe experience, and out of the experience of preceding administrations, the President realized that the Federal Government was grievously handicapped in an impartial, consistent and provident disposition of national affairs because it had not the benefit of national counsel in business problems.

With every succeeding decade the dependence of the world and all its peoples on the observance of economic law becomes more apparent. Not armament, but grain and the growth and trend of population shape the destinies of nations. Therefore now as never before the test of party competency for power is its contribution to national wealth. In national and state halls of legislature an increasing measure of thought and direction is applied to the *business* of community living.

At the time this conference was called, and for years previously, Washington had not lacked the focussed judgment and concerted action of organized labor; Washington had not been unaware of the needs of agriculture, expressed perhaps only less concertedly through the Farmers' Union of the South and the Farmers' Granges of the North. But the third side of the great triangle of industrial interests, less important numerically, but no less important intrinsically—business—was without a representative voice at the seat of government because it lacked a national organization.

There may have been good reason for this lack. Only the youngest of this present business generation are personally unfamiliar with a time when business in its largest units was the most active and reprehensible special pleader in legislative lobbies. Since the death of the old order of things business of scope has been on the defensive to the point of cowardice. Private

business in large industrial units, even when regulated by government, has been so generally condemned, that, deserved or undeserved, it has taken denunciation and chastisement as a matter of course.

A man need not be an idealist, in the common sense, to have vision. President Taft saw the possibilities in a business organization broad as the country and therefore without sectional prejudice, comprehensive as the varieties of business itself, embracing every type and every size of mercantile unit to enlist the strength of all proprietorship.

Six hundred men, from all states in the Union, came to Washington at his call, decided promptly that the country needed business union, and elected a temporary Board of Directors to draw a code and regulations, That constitution and those by-laws well repay study. The ensuing solid achievements were made possible by the admirable architectonic of organization. The notable beginning was followed by notable growth. In the three short years since the unheralded first meeting there has grown up almost unremarked a National Chamber of Commerce, which to-day is the biggest business organization in the world, with an "organization membership" of 640 national trade organizations, community chambers of commerce, boards of trade, and merchants' and manufacturers' associations, located in every state except New Mexico, and in the Philippines, Hawaii, Porto Rico, Paris, Berlin and Constantinople. In addition to the "organization membership" the National Chamber has immediate contact with its constituency by means of "individual memberships." In three years through this membership *the expression or action of the Chamber has become the voice or motion of over 300,000 business men, firms and corporations.*

The Chamber of Commerce of the United States works without ostentation. It has no press bureau. Its publicity committee is modest. Its rapid rise to undemonstrative, respected influence is due to its democratic structure and control and to the representative

character of its support. The smallest organization admitted to membership has one delegate and one vote; the largest and most influential only ten delegates and ten votes. A forty-five day referendum and a two-thirds vote are required to commit the Chamber. It will consider only national questions. By its national character, democratic constitution, open methods, intelligent conduct, and unstinted application to current business problems the Chamber has won the confidence and respect of the congressional leaders of all parties and most positive co-operation from all departmental heads at Washington.

In these three years the Chamber, obedient to its referenda, has suggested and obtained seven vital amendments to the Federal Reserve Act; has suggested and obtained the adoption of the Federal Advisory Council to assist the Federal Reserve Board; at the instance of Secretary Redfield has assisted in the readjustment of the Department of Commerce, including the collation and distribution of consular reports and has secured the appointment of an increased number of commercial attachés, made acquainted by it with the business needs of the country before being sent abroad.

The Chamber has influenced exceedingly important modifications that appear in the final form of the trust bills; has received at its recent third annual convention the unqualified, outspoken approval of President Wilson and a frank appeal for support on certain measures from five members of the Cabinet. With the approval of the Administration and of party leaders generally the Chamber has just appointed a permanent Advisory Council to confer with the New Federal Trade Commission and in other ways to assist that body.

Some of us who have labored earnestly and repeatedly, but rather single-handedly at Washington before Committees of the House and the Senate and before the Interstate Commerce Commission, to obtain a rational review of past or proposed legislation, must acknowledge with chagrin that our efforts, to whatever extent

fruitful, would have been of vastly more avail if we had known then, as we know now, of the work of the National Chamber, and had sought to obtain its prior support and co-operation.

This testimony to the usefulness of the National Chamber cannot be wholly felicitation. The three years have shown remarkable accomplishments to be sure. There was need of them. The need cannot possibly be exaggerated. But the end is not yet—either of the accomplishments or of the need. With slight provision for consequences, American government, state and national, is entering an era of public regulation and even of public ownership of business. The latest pronouncement of business leaders is that regulation must be accepted in preference to public ownership.

The department of government invariably cited in illustration of the advantages of public ownership is the Postal. The present Postmaster General is a persistent advocate of Federal ownership of the telegraph and telephone systems of the country, although our wire communications are acknowledged the best in the world. Yet the postal service is not run on a business basis and cannot make a business accounting to Congress that shows a profit. Authority for this statement is a Congressional Investigating Committee. The postmastership in every city and village is part of the political spoils system, of which the monuments too frequently are unnecessary, unproductive and costly post office structures. There is no pretense of earning interest on the capital invested, but opposition to waste is weak, for the direct voter's tax is only a two cent stamp.

The Federal Government is about to undertake the construction, ownership and operation of a great railway in Alaska. The Governor of California is urging his state to assume ownership of the insolvent Western Pacific Railway. Existent public regulation of corporations has not yet fully justified itself, and cannot so long as the results spell financial embarrassment. The

utmost possible pressure, from the public utterances of the President to the castigations of an almost united press seems to have been needed to persuade the Interstate Commerce Commission into granting elemental justice to American railways in the critical period through which they are passing. Questions put to witnesses by the Commission in its hearings on the Eastern rate case display an absence of elementary knowledge of railroad credit. Railroad credit is as essential to the proper conduct of transportation as adequate equipment. Railroad credit is as essential to the solvency of many investment institutions as is the confidence of their depositors.

State regulation of corporations has given no better account of itself. The Chairman of a Lake State Railway Commission is quoted as stating that he had recently been looking into the financial condition of railroads in his state and was *astounded* to learn that less than half of them were meeting their obligations. Why "astounded" if he had been properly conversant with his duties? The receiver of a middle-Western road complains to the Court that state laws will not permit rates sufficient to operate the system with regard to human safety to say nothing of the payment of current debts. The Illinois Manufacturers' Association has called a meeting to protest because "of over 500 bills introduced in the State Senate in the last three weeks almost 50 per cent. deal with regulation of the business of manufactures, merchants and corporations. Profits have been legislated out of existence and thousands of men are out of employment."

It is only a step from the regulation or ownership of railways, street railways, power companies and the like to regulation or ownership of refrigerating plants, beet sugar factories, bakeries and powder works. As to the national government this step is a slight extension of the principle that the Federal Government has the right to control anything that savors of interstate commerce. Nothing but a sane Supreme Court stands

between present day Federal legislation and government control of stock and grain exchanges. We may yet see a Congressional grip on the throat of every business that uses the United States mails. The last defense will not be the Supreme Court, but the *organized* business intelligence of the American people.

Also American government, State and National, is plunging ahead into an era of extravagance that if not stopped short, and stopped soon, may bring us to our third great repudiation period, aptly comparable to the first period in the early '40s when seven states, mostly Northern, broke faith with creditors—or to the second period in the '70s and '80s when nine states with three hundred odd million dollars of bonds and many score cities with a thousand million dollars of bonds ceased paying what they owed. Our tax bills tell the present story; if they did not the figures of wealth and debt are public property and may be had of the Census Bureau. Only thoughtful men call for a halt. The call is feeble unless it is a call, *all together*, from the business men of the whole country.

To those who see in socialism the cure for human frailties manifest in business dealings, nothing can be said. But to those who know what it means to put the spending of public money in the hands of public officials, whether the money is intended for court house building by the county, canal digging by the state, or harbor improvement by the Federal Government, enough has been said. The most badly managed American railroads, in palmiest days, never wasted the money of the people as it is being wasted in collecting the Federal Income Tax, with its 33 1-3 per cent cost, or in supporting sinecure office holders.

In this last Congress, as an amendment to an appropriation bill, it was proposed, "To prevent the study of methods to increase industrial efficiency in manufacturing establishments of the Government and to forbid additional compensation to employees as reward for improvement in skill and effort." Do we wish to see any

more of the business of the United States than necessary for public protection officered and regulated or owned by a government which for political or other reasons may not be permitted to operate efficiently or to reward fidelity?

But there is a broader consideration involved, if it is possible, than this economic. As no other the American nation is individualistic. We cherish passionately the right of individual freedom for its reflex on character. We tolerate an abhorrent saloon system so as not to trespass on immemorial "personal privilege." What is the effect on individual freedom, therefore on American manhood, as business activities pass from private to public domination? Sometimes we deplore the growth of great corporations as (in the words of the President, used in another connection) inimical to the development of "new men, new energies, a new spirit of initiative and new blood in the management of business enterprises." But would government ownership "immensely hearten the young men coming on and greatly enrich the business activities of the whole country?"

Which would you choose for your own son as the starting point for a useful, character-building career; a job in a store or a clerkship in the United States Postal Service? For his future he had better be a brakehand on the Pennsylvania than a foreman in the Bureau of Printing and Engraving.

Notwithstanding Napoleon, it is no disgrace to be a nation of shopkeepers; but it would be a calamity to be a nation of clerks.

Against the encroachments of this rising tide of sosialistic theory, irresistible up to its present confines, what is our only dependable bulwark? The opposition of the great body of American proprietors: law partners in Galveston, owners of pulp mills in Maine, of ice factories in Georgia, of candy stores in St. Louis, and shoe parlors in 'Frisco. Every man who is or hopes to be, by dint of labor and self-denial, the master of

his own business fate, for the good of himself, his family and the race, is the friend of the business order and the foe of any system that seeks to raise one part of humanity by pulling down another part. All these men of business and many of those who now serve them should be enrolled in community business associations with focus for expression in the Chamber of Commerce of the United States.

There is nothing sinister about rapidly growing cohesion among business men, nor about their influence at Washington. In England, France, Germany, Austria and Italy are prototypes of long standing—national commercial bodies made up of local business organizations, The local bodies are supported by general taxation of business men. In France the members of the Council of State are appointed by the Government at the suggestion of the French Chamber of Commerce. This Council acting in an advisory capacity concerns itself very largely with the development of internal and foreign commerce. In Germany, for many years the national federated Chamber, the Deutscher Handelstag, has co-operated intimately and actively with the Imperial Government with what admirable results upon German business and the financial welfare of the German people we are all familiar. Indeed the present President of the Deutscher Handelstag, Herr Kaempf, is also President of the Reichstag. Imagine a Speaker of the House of Representatives as President of the national organization of business men!

What an unfavorable contrast this, between the attitudes of the American and the German Governments toward business. After more than two decades of operation under the Sherman Law our principal corporations are without knowledge of what is and what is not permissible in certain most fundamental aspects of the conduct of business. Within a few weeks of the time that the United States District Court for the District of Minnesota decreed that the International Harvester Company should dissolve *solely* on the ground

that it controlled too large a percentage of the business, although its practices were declared to be proper, the United States District Court for the Eastern District of Pennsylvania declined to dissolve the Keystone Watch Case Company because under the Sherman Law size is no crime, although some of its practices were declared to be improper. The United States Steel Corporation, among others, is very much interested in learning which guess will be sustained by the Supreme Court.

The Federal Reserve Board has been besieged with hundreds of applicants for information concerning what dealings a director of a national bank may have with his bank. Because the possible complications of business relationships were not realized by the framers of the Federal Reserve Act the director is uncertain as to whether he can have any transactions with his bank if there is hope or expectation or possibility of a profit. If he cannot enter into such transactions does the prohibition extend to a firm in which he is a member, or to a corporation in which he is a shareholder? Does it extend to a syndicate in which he, as a member, may have a slight participation? Or may he or his firm or a corporation in which he is a shareholder be a member of a syndicate in which the bank is also a member? Is a director precluded from drawing interest on account of a deposit in his own bank? Many of these things seem preposterous, but not absolutely excluded by the wording of the law.

The Board and its counsel does not venture an opinion, for violation of the law is a penal offense, and their guess might differ from that of the Department of Justice or with the courts. Meanwhile business waits; and national banks may be deprived of the services of their principal owners.

Many who have had the habit of going to Washington these past years in efforts to ascertain the law relating to business, or to modify it, have watched the growth of great palaces that house the Depart-

ment of Agriculture—the visible evidence of the splendid experimental work which has meant so much to American farmers, therefore to the nation. Governmental expenditure in this department averaging five million dollars a year is known to result in an annual increase of three hundred millions in wealth.

Would not the entire country profit likewise if similar public assistance were given business? In the words of the present President of the Chamber of Commerce, Mr. John H. Fahey, "The total value of our agricultural output is to-day about nine billions of dollars annually. Our manufacturing output shows an annual value of about twenty-one billions of dollars. It has practically doubled in ten years, but to promote and develop this vast commercial interest of ours, how much has our government been spending? The appropriations which may fairly be credited to definite promotion work have been limited to sums ranging from one hundred and twenty to one hundred and sixty thousand dollars annually, and this, while the government of Germany spends in our own country, in the single State of New York, more than ninety thousand dollars a year. Throughout the world its appropriations for similar work run into the millions. The thoroughness with which it is done is indicated by the fact that the German government maintains more than 1,200 agents in the United States, the major portion of whose time is given to advancing the commercial interests of that great empire in our country. The answer to the question 'Does it pay?' lies in the fact that since 1885 the annual increase in Germany's foreign trade has averaged over one hundred and thirteen millions of dollars."

Shall we not now retrieve. The fortune of war submits an unsought, unearned opportunity. Foreign trade, particularly, invites co-operative business effort encouraged by the Federal Government. At home, also, the times are opportune. Signs are not wanting that the great intelligent American electorate is rousing to

think in terms economic, and is soon to realize that slow strangulation is not good for the business goose that lays the golden eggs of sustenance and surplus. The plain folks of skeptical Missouri have repudiated their full crew law. The surviving express companies are asking confidently for rates that bring profits. The government-owned shipping bill has been scuttled by all parties. The President favors alteration of the trust laws to permit combinations of merchants to compete in the markets of the world with foreign capital. The all-powerful Federal Trade Commission starts with a personnel and in a spirit that at least is promising.

As we consider the character and accomplishments of the Chamber of Commerce of the United States and the possibilities for service that lie in the immediate future, because of critical economic conditions, domestic and foreign, and in the more distant future, because of great social adjustments yet to be reached, surely it is not too much to say that this organization is heading at least *one* of the greatest movements under way in America.

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Foreign Trade Building

The Importance of Starting Right

FOREIGN TRADE BUILDING

The Importance of Starting Right

	Page
Foreword	3
Successful Foreign Trade	4
The Four Factors in Business Abroad	5
Sizing Up the Export Opportunity	6
"World-Wide Service" Map	8
Work of the American Express Company in Foreign Countries	10
What American Express Foreign Service Means to the Manufacturer	11
The Foreign Trade Information Bureau	12
The Selling of Goods	13
Details of Foreign Trade Service	14
Rendering Foreign Trade Service	16
"Ask the Foreign Trade Information Bureau"	16

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AMERICAN EXPRESS COMPANY

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CAPITAL, $18,000,000.00

General Offices: 65 Broadway, New York

Foreign Exchange
Foreign Freight and Express Service
Tourist and Travel Agents

General European Agents for
NEW YORK CENTRAL LINES
(MERCHANT'S DESPATCH)
CHICAGO & NORTHWESTERN RAILWAY
UNION PACIFIC RAILWAY SYSTEM

EXCLUSIVE FOREIGN OFFICES

London	Paris	Berlin
Liverpool	Marseilles	Hamburg
Glasgow	Havre	Bremen
Southampton	Antwerp	Genoa
Copenhagen	Rotterdam	Rome
Stockholm	Hongkong	Naples
Christiania	Buenos Aires	Manila

Shipping and Banking Correspondents at principal ports and cities of the commercial world

FOREWORD

Foreign trade presents no real difficulties to the beginner who is in earnest—and who *starts right.* The problems are fundamentally the same as in business building at home, and success comes with the application of the same common-sense principles that win trade in the domestic market.

The American Express Company, with more than a quarter century of actual business experience in the foreign fields, with its own exclusive offices scattered all over Europe, has helped many American manufacturers make their start in export trade. The progress of these manufacturers in selling their products abroad has been attended by the continuous extension of the chain of American Express foreign offices, pioneering the way for more and more foreign business.

For the transaction of current business, the American Express Company has its thoroughly organized Foreign Department equipped to handle heavy freight and fast express shipments to any place in the world. In addition, the Financial Department, with its experts in foreign banking and exchange, is ready to complete or to advise on any sort of financial transaction anywhere in the world.

On the trying question of breaking into foreign markets, confronting so many newcomers to the export trade field, the American Express Company stands ready to render even greater service with its specially equipped Foreign Trade Information Bureau. This newest service has been planned and organized for the particular assistance of the newcomers into the field of export and import business.

To these newer arrivals in particular, this booklet is addressed, in the hope that it may make clearer the every-day problems of foreign trade—and thereby dispel some of the mystery and misunderstanding surrounding trade building in over-seas markets.

"How to start right?—Ask the Foreign Trade Information Bureau."

Paris: 11 Rue Scribe (Place de l'Opéra)

SUCCESSFUL FOREIGN TRADE

On the wall back of the desk of one of New York's greatest business executives hangs a sign, prominently displayed. No caller in that man's office can escape its message. Neither can the caller fail to understand its bearing on his interview with the big man behind the desk. It reads:

"WHAT ARE THE FACTS?"

That sign tells the secret and the whole story of success in winning worth-while foreign business.

First, get the facts—all of them!

Possessed of real information on conditions in a possible foreign market, armed with the facts bearing on sales in that field—the keen American business man has his success insured in breaking into that territory. The real troubles in foreign-trade development come only

to those who leap before looking, who institute action before securing a real knowledge of conditions. Of that misguided class was the manufacturer who tried to sell lawn mowers in the arid section of Chili—where it never rains!

THE FOUR FACTORS OF FOREIGN TRADE

Advance information on any foreign market may be had from a dozen different sources, and in almost unlimited quantity—provided one knows where to search for it. Of the greatest importance in the digging of information, is to know exactly what facts have practical significance, and how to separate them from the mass of miscellaneous data on any foreign field. The real work of being "forewarned" is in passing up the nonessentials, and concentrating on the vital factors.

There are four of these essential factors in foreign trade, familiar enough to every business man for their bearing on his daily business at home:

I.—Market
II.—Finance
III.—Transportation
IV.—Sales Plan

They are no more or less than the very things any manufacturer investigates when he plans to introduce his goods in a distant section of his own country. In exactly the same fashion must these four factors be studied in planning the introduction of a given product into any foreign field.

Rotterdam: 26a Zuidblaak

—Ask the Foreign Trade Information Bureau."

Hamburg: 9 Alsterdamm

SIZING UP THE EXPORT OPPORTUNITY

Worked out in detail for a thorough investigation of conditions, the four factors may be taken up on a plan similar to the following example:

I. **Measuring the Foreign Market.**
   A. Present volume of business: Quantity, quality, selling prices.
   B. Competition: Local, foreign (what countries?), credit terms offered.
   C. Foreign Customs discrimination, if any.

"In Business Abroad, be Forewarned!—

D. Distribution: By importer, dealer, agent or commission house. Forms of advertising in use.
E. Trade mark and patent protection.

II. Financing Foreign Sales.

* A. By commercial letter of credit, by drafts, or by extending credit.
* B. Drawing foreign drafts; where and how to have them discounted.
C. Available credit information on foreign buyers.
* D. Collections; how home manufacturer must protect himself.
* E. Rates and influence of Foreign Exchange.
F. Limitations of credit extension.

III. Transportation Facilities and Costs.

* A. Ocean shipping routes, rates, time and frequency.
* B. Lighterage; dock and warehousing conditions.
* C. Marine Insurance.
* D. Special packing, measurement and marks.
* E. Consular invoice certification requirements.

IV. Selling the Foreign Customer.

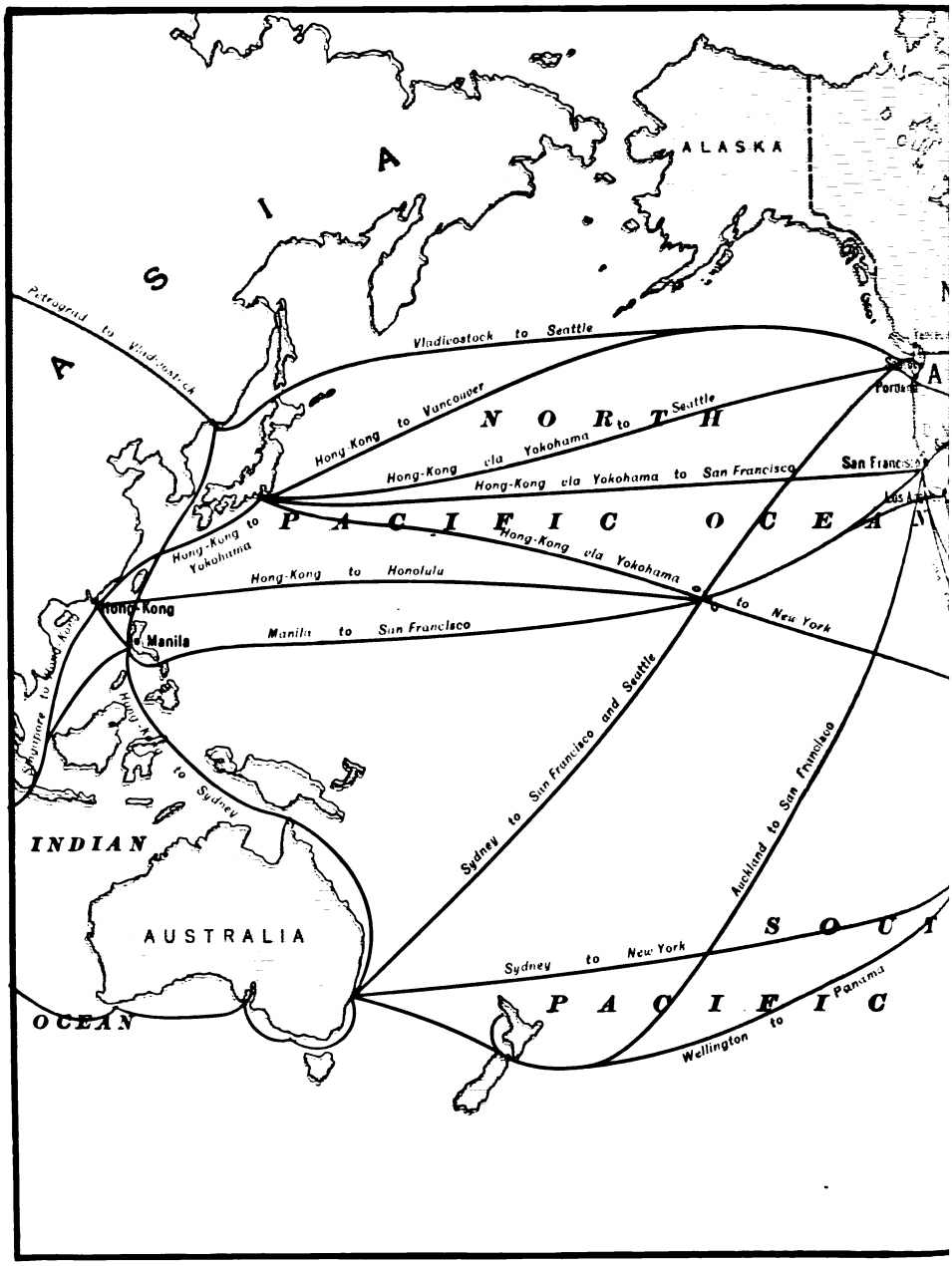
A. Locating names of prospects.
B. Necessity of proper introduction of manufacturer to foreign buyer.
* C. Language requirements, weights and measures.
D. Catalogs, circulars and correspondence.
* E. How to quote "c.i.f." (Cost, insurance and freight.)
F. Commission house and indent transactions.
G. Samples or demonstration; advertising.
H. Local conditions.

Securing the necessary advance information in accordance with the above outline of the four factors, is a matter of knowing how to look, and where to go for first-hand, reliable data. Certain items, such as those in Sections II, III and IV, marked with the asterisk (*) above, are matters of everyday work in the Financial and Foreign Departments of the American Express Company. In many instances, these two departments relieve the manufacturer of all detail in connection with foreign shipments and foreign exchange.

—Ask the Foreign Trade Information Bureau."

AMERICAN EXPRESS COMPANY

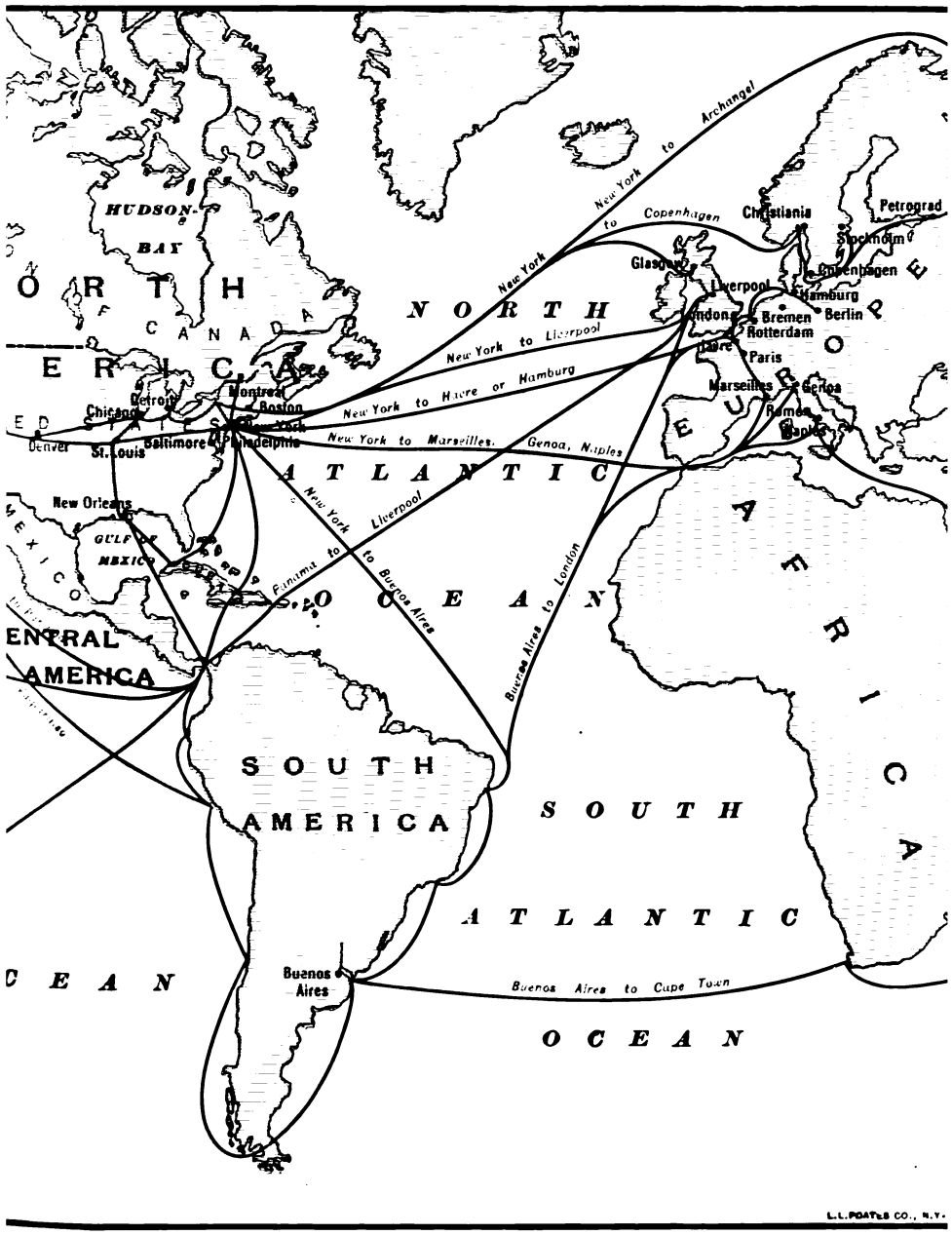
MAIN OFFICES IN BLACK



Office	*Distance from New York*	*Office*	*Distance from New York*
London	3740 miles	Marseilles	4494 miles
Liverpool	3540 "	Berlin	4385 "
Glasgow	3370 "	Hamburg	4065 "
Paris	4020 "	Christiania	4132 "
Havre	3880 "	Stockholm	4975 "

"WORLD WIDE SERVICE"

CONNECTING LINES IN RED



L.L.POATE & CO., N.Y.

Office	Distance from New York	Office	Distance from New York
Copenhagen	4455 miles	Naples	5195 miles
Petrograd	5370 "	Rome	5025 "
Antwerp	3931 "	Buenos Aires	8045 "
Rotterdam	3935 "	Manila	10231 "
Genoa	4609 "	Hongkong	10590 "

THE WORK OF AMERICAN EXPRESS COMPANY ABROAD

The first exclusive foreign office of the American Express Company was opened in London in 1891, just fifty years after the establishment of the company in this country. In the twenty-four years that have followed the establishment of that first foreign office in London, the chain of American Express branches has been extended to include almost every important city in Europe. These offices operate in the following countries, from their locations in the respective capitals and the principal commercial cities and seaports:

London: 6 Haymarket, Pall Mall, S. W.

Great Britain
France
Germany
Italy
Belgium
Denmark
Norway
Sweden
Holland

The present year witnesses the extension of the American Express foreign service to South America, with the first office opened in Buenos Aires—and to the Far East, with exclusive offices in Hongkong and Manila.

The American Express Company undertakes all kinds of domestic and foreign exchange transactions, throughout the world, and attends to the forwarding of freight and parcels, both export and import. In addition, they are tourist and transportation agents for the principal European railway and steamship lines, a function known to every American traveler who has been welcomed at the American Express offices abroad.

"Export Selling Problems?—

Supplementing this chain of exclusive foreign offices, the Company maintains a very large list of banking and shipping correspondents in the principal cities and seaports of the world. No small part in that development has been played by the famous American Express Travelers Cheque, originated by this Company and recognized the world over as a practically international universal currency.

The sales of American Express financial paper:—foreign drafts, cable transfers, money orders, letters of credit, Travelers Cheques, etc., runs into the hundreds of millions of dollars yearly. The measure of the American Express Company from a banking viewpoint may be realized from the fact that it handles a greater number of foreign exchange transactions, issues more foreign financial paper, than any other commercial institution in the United States.

To cover these tremendous sales of foreign exchange, the American Express Company maintains huge cash balances in all the financial centers abroad, for use in cashing the American Express financial paper. That in turn means that the American Express is one of the principal buyers of foreign exchange in this country.

WHAT AMERICAN EXPRESS FOREIGN SERVICE MEANS TO THE MANUFACTURER

To the home manufacturer, the development of the American Express organization in the foreign field means that he can ship goods from his own plant to practically any port in the civilized world, in carload freight lots or in express packages, on an American Express through bill of lading. Through its Financial Department, the Company can accept his foreign drafts for collection, collect the money, and bring back the funds to the American manufacturer. American Express service all the way, in the hands or under the supervision of a responsible American-built organization, affords him a combination of protection, safety and reliability that has no equal.

In foreign fields, the American Express Company is undoubtedly more intimately known, by virtue of its years of successful dealing, than any other American institution. Many years of growth and success abroad have made possible its splendid standing and rating in those foreign territories.

—Ask the Foreign Trade Information Bureau."

Havre: 43 Quai d'Orléans

THE FOREIGN TRADE INFORMATION BUREAU

The business of the Foreign Trade Information Bureau is the practical promotion of trade between America and foreign countries.

Its activities are twofold: first, as a bureau of reliable information on foreign markets, and, second, as a service of practical assistance in the introduction of American goods, and in the securing of proper connections in the foreign fields.

It operates in direct connection with every one of the foreign branch offices of the American Express Company in Europe, South America and the Far East. That relation with the Company's offices abroad makes the Foreign Trade Information Bureau a clearing house of trade information between the foreign markets and the interested exporting and importing concerns in this country.

The general service of the Foreign Trade Information Bureau is to furnish reliable information on the ways and means of securing

"The Value of an Introduction?—

business abroad, as well as on the conditions and pitfalls that surround the entry into foreign markets.

Supplementing this general service is the specific direct-contact assistance of the American Express organization in the foreign fields, as directed by the Foreign Trade Information Bureau. The practical value of such first hand assistance is measured by the everyday business relations of the foreign organization with the very peoples toward whom American exporters are directing their strongest trade efforts.

The co-operation of the chain of American Express offices in foreign countries assures the securing of unprejudiced information through friendly sources. The firm starting export obtains the assistance of an organization established for years in the foreign field, in possession of an intimate knowledge of conditions affecting trade development.

More specifically, that service means the active aid of a "friend at court" in each country where the American Express Company is represented, in the shape of an organization vitally interested in American trade extension of the permanent sort.

THE SELLING OF GOODS

Up to the point of actually *selling goods* to the foreign trade the American Express Company offers practically all necessary facilities, such as shipping, financing, assistance in securing foreign distributors,

Rome: 38 Piazza di Spagna

—Ask the Foreign Trade Information Bureau."

Genoa: 17 Piazza Nunziata

securing information, and practical assistance of all kinds. However, the actual sale of goods always remains in the control of the exporter; his own efforts and arrangements must determine that development.

The American Express Company does business with all classes of American business concerns. Obviously, the Company can no more act as selling agent for a line of goods or manufactures abroad than it can in this country. Its services are available to all comers, without prejudice. But those services do not include the actual selling of goods, on a commission or any other basis, in the foreign field. That limitation must be thoroughly understood.

DETAILS OF FOREIGN TRADE SERVICE

The work of the Foreign Trade Information Bureau includes General and Specific services of information and assistance, of the following detailed descriptions:

General Information (*on any country*).

I. Commercial language.
Currency and exchange conditions.
Weights and measures.

"Trade Mark Difficulties?—

Steamship lines and routes.
Postal regulations.
Distribution of imports and exports.
Foreign competition.
Introductory and selling methods.
Trade conditions, general credit terms.
Catalog and trade-literature requirements.

II. Costs, time and frequency of shipping routes.
Consular invoice regulations.
Marine insurance.
Necessary special packing.
Figuring "c.i.f." quotations.
Methods of financing foreign shipments.
Collections.

III. Patent and trade-mark laws.

Specific Services (*Available in all countries in which the American Express Company maintains exclusive offices*).

I. Reports on financial standing and responsibility of foreign firms or individuals.

II. Filing statements of general information, rating and standing of *American* firms at our foreign offices. Such information available to foreign business prospects desiring reference.

III. Trade investigation reports, covering market, demand, competition, prices, etc. (See Sec. I, page 6.)

IV. Preparation of authentic lists of importers, dealers, or other business prospects in specific territories covered by our foreign offices.

V. Filing American catalogs, price lists, etc., at our foreign offices, available for reference of foreign prospects desiring specific information.

VI. Application for foreign patents, registration of trade marks, acting for American concerns.

VII. Collection of outstanding accounts, securing of responsible legal aid when necessary in such process.

VIII. Reports on sources of supply, of manufacture of goods, of prevailing prices, etc., in foreign countries.

IX. Purchase samples on order in foreign markets, for inspection and study by American concerns.

X. Limited personal assistance from American Express representatives abroad, advising on connections and aiding in effecting such connections.

— Ask the Foreign Trade Information Bureau."

RENDERING FOREIGN TRADE SERVICE

The purpose of the Foreign Trade Information Bureau is to develop future business for the American Express Company. Its aim is to furnish American Express customers with service to the greatest possible extent.

Specific services will be rendered only on definite instruction, according to the particular needs of each individual case. A nominal charge will be made according to the time and actual expense of the specific operation, and the number of foreign offices involved. Upon request, with details of services required, the Foreign Trade Information Bureau will be glad to advise rates.

"ASK THE FOREIGN TRADE INFORMATION BUREAU"

Communications on the foreign trade problems of any business firm in the United States or Canada will be welcomed by the Foreign Trade Information Bureau, and will be held confidential. In addition to its own information work on foreign trade, the Bureau is in touch with other foreign trade activities of every description. If by chance information or advice wanted is not at hand, the Bureau will be glad to advise and recommend sources for further inquiry. Questions as to the actual operation and application of the Foreign Trade Information Bureau services will receive immediate attention. All communications should be addressed to:

Manager, Foreign Trade Information Bureau,
American Express Company,
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THE PROBLEMS OF PORT DEVELOPMENT

By EDWARD F. McSWEENEY

Chairman, Directors of the Port of Boston

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PUBLIC CONTROL OF OUR WATER-FRONTS AND THE OBSTACLES TO BE OVERCOME.

By EDWARD F. MCSWEENEY, *Chairman, Directors of the Port of Boston.*

The most absorbingly vital problem before the United States to-day is the development of its foreign trade. The question comes, as never before, in the garb of a duty to ourselves and our posterity. It is within moderation to say that the commerce of this country, the welfare of our manufacturers and wage-earners, in fact our future prosperity and growth, depend in a large measure upon our ability as a nation to dispose of our surplus products in the world's markets, under free and fair competition. Our country will grow and escape decline only on the condition that our trade be maintained free. Properly to fit the nation to assume its responsibility in this direction involves the creation of an organization made up of distinct parts.

First. — The ability of our manufacturers to make goods suited to foreign markets. This subject the manufacturers must handle themselves. They are being assisted by the national government, the foreign trade council and other agencies. Once alive to the demands made upon them, they will undoubtedly meet them with the same energy which has hitherto marked their progress in domestic production.

Second. — The adjustment of our financial system to that of the foreign countries in which our manufacturers expect to find a market for their goods. Satisfactory arrangements to this end are already under way, and little difficulty is to be apprehended on this score.

Third. — The important question of the physical movement of raw materials to the factory, and the finished products to the buyer in foreign lands. This involves the freedom to traverse

the highways of the ocean, and demands adequate channels, docking facilities, water terminals and railroad connections which will serve all the ports without discrimination.

Fourth. — The question of the national defense. Whatever may be the alleged final reasons for the present European war, its beginnings and incentives can be directly traced to the business rivalries of certain European nations, and the real aim of the conflict is the commercial mastery of the world.

While America was content to refrain from competing with European nations for foreign trade, this of itself was one guaranty of freedom from aggression, but as we go into the world's markets and fight for business and succeed, there will come the incentive on the part of the other nations to contest our progress. With the growth of our foreign trade will come the need for adequate means of protecting that foreign trade which our present commerce does not demand. The ability of the nation to hold what we have earned, and fully to defend our rights is an important element to be considered in our plans of port development.

No port in this country measures up to the standard which must eventually be attained if the nation is to derive the greatest efficiency from its ocean lanes and water-front property. Notable development in many of the ports of the United States has been made in the last few years, but no port has yet made more than a beginning. Let the best example of port development in the United States remain stagnant for a decade, and at the end of that time it will be antiquated.

To paraphrase Abraham Lincoln's immortal saying: "Port Development cannot exist half slave and half free." New York has, after a long struggle, secured practical control of its waterfront, although this control has practically been ceded by long leases, for a generation to come. New Orleans, Los Angeles, San Francisco and San Diego have taken control, because the "Code Napoleon," the law under which the "Louisiana Purchase" was governed, recognized the value of water rights. Under the "code" water front rights cannot be taken from the control of the people, and to-day in these ports, a real, not a technical, public ownership exists. In all the other ports of the United States, there is a hodge-podge of ownership and control —

municipal, state and private ownership — each competing with one another. The railroads were far-sighted enough to recognize the value of the control of water-fronts, and when able to get control of them, used them not so much to build up the foreign trade, as to keep competitive roads out of their special fields. For reasons discussed elsewhere in this paper, the existing situation is, however, not satisfactory even to the railroads, and obviously less so to the communities served by them. Thousands of tons of goods are being sent every year from Philadelphia, Baltimore and Boston to New York for transshipment abroad, which should be sent out of these ports. The railroads serving them have not been and are not to-day co-operating to the fullest extent possible with the local authorities to increase the export and import business of their home ports. When the railroads can be made to see that it is for their benefit and that of their stockholders to divorce themselves from the present wasteful, unbusinesslike practice and to co-operate in the movement for uniform port development, a real start will have been made in the re-establishment of a merchant marine under the flag of the United States, out of ports supplied with all the modern facilities for the care of foreign and domestic commerce.

A famous culinary recipe, which concerns the making of a stew, begins: "First, catch your hare." Before we go into any serious discussion as to whether port facilities in the United States should be publicly or privately owned or operated, we should first consider what obstacles to port development exist, which if allowed to continue will nullify any benefits which may reasonably be expected to follow if the public could at once have the ownership of all the water terminals.

The three-mile limit, made in the days of slow vessels and guns of short range, suggests a comparison. When the German "Kronprinzessin Cecilie" came to Boston from Bar Harbor last autumn, it was necessary for protection to supply a convoy of naval vessels en route, because this German ship, sailing from one port in the United States to another, could not travel over the shallow neutral waters of our coast within the three-mile limit. Should war ever threaten this country, a foreign aggressor could in safety wait in neutral water outside the three-mile

limit, and at the signal of war, with a curtain of fire, cut New York and Boston off from their sources of supply, demolishing wharves, railroads, tunnels, etc., over a circle ten miles distant from each city hall, leaving the cities themselves intact for ransom or plunder.

Modern conditions require an increase of from three to twenty or more miles as neutral limit for safety in war, and our business and commercial safety and progress demand an equal extension of the rights of commerce over those existing to-day.

The diplomatic correspondence with Germany, following the sinking of the "Lusitania," concerned the so-called "freedom of the seas," and, while directed at Germany in particular, was intended for the benefit of all countries, and will rank in historical importance with the Monroe Doctrine. "The freedom of the seas" means much more, however, than the physical safety of our ships upon the water. So long as the right to send cargoes all over the world in fair and free competition is restricted, as it is to-day, nations like the United States, subject to this control, are in commercial bondage. The United States is not to-day in a position where it can ship goods to South America or the Orient, except by permission of, and under conditions dictated by, a foreign shipping monopoly with headquarters in London. We make stringent laws regulating the monopolistic control of industry and trade in this country, but no remedy has been found, or even seriously sought, except the proposed Ship Purchase Bill, to control this oppressive shipping monopoly.

This condition of affairs is intolerable, and so long as this and the other handicaps under which our maritime commerce suffers are allowed to exist, appropriations for river and harbor development, even when honestly and economically disbursed, cannot be expected to bring the desired result. The present war, which has temporarily disorganized the steamship combinations organized in Europe against the United States, gives this country a long-needed opportunity. While the business needs of the next decade would inevitably force the United States to a realization of the need of securing a real freedom of the seas, the achievement of this result under the conditions existing before the war would have involved a tedious up-hill struggle, the success of which, during the process, might have involved the

United States in a war on its own account. To-day, although the task is very much easier, it is not a simple one. The United States must decide at once whether it will be satisfied to depend for keeping its wage-earners employed upon the purchasing power of its own people, or in their interest seek its share of the world's trade under normal conditions. The fictitious stimulation to business, afforded by the filling of war orders, is a veritable quicksand upon which to raise a foundation of true business prosperity.

While it is true that the United States is to-day paying its debt to Europe in goods sold at a good profit, the war has greatly inflated prices, and after its close we must meet the competition of cheap European products, a competition which, with certain limitations resulting from the exhaustions following the struggle, will then be keener than it has been hitherto. All of our staple industries are now organized so that the yearly needs of our home market can be supplied in less than twelve months working time. If our wage-earners are to be employed during the remainder of the year, foreign markets must be found for their products.

Our concern, therefore, is not with territorial expansion, but with the freedom of the seas, which furnish the cheapest and best of roads, needing no repairs, and all nations must understand that we will not be deprived of the use of this natural highway of nations.

The wealth of the United States was acquired most rapidly when we were at liberty to send our cargoes to all parts of the world. During the Civil War, Great Britain, which has always resented our maritime growth, took advantage of its opportunity, and with the "Alabama" and "Florida" attempted to drive our commerce from the ocean. After the Civil War, the great opportunities for acquiring wealth by the development of our natural resources discouraged foreign trade. This gave the opportunity for the formation of foreign shipping combinations, which up to the beginning of the present war were in absolute control of our foreign commerce, dictating rates and making the sale of our goods in foreign markets unprofitable.

During the last few years the nation has begun to realize the necessity of export trade. The efforts of the National For-

eign Trade Council, the United States Department of Commerce, and the various commercial and educational agencies working to stimulate our export trade are beginning to be felt. This educational work is being so well done that no mention need be made of it except to acknowledge its general benefits.

One result of this propaganda has been the stimulation of appropriations for harbor development, in the mistaken belief that deepening channels and building piers alone would insure foreign commerce, when in reality this is but one of the important means to this end. The difficulties to be met and overcome are much more fundamental than building piers.

Assuming that the United States, the Commonwealths and the port cities have the funds and the inclination to install ample docking facilities in every port on the Atlantic, Gulf and Pacific coasts, what obstacles are there in the way of building up our merchant marine? This is the end we are seeking, for obviously ports without ships are valueless. A legion of Jeremiahs have lifted up their voices in lamentation over the decline of the American Merchant Marine, each one having a pet reason and a pet remedy for its decline. There are so many handicaps, however, that a summary of them may be timely.

Politics in Port Development.

The most annoying and persistent handicap to port development is the interjection of partisan politics in port development and administration. The natural desire of the people immediately surrounding a port to see the business of their particular harbor increased has given the unscrupulous politician an opportunity, first, to encourage appropriations, and then to seize upon them for exploitation.

Appropriating public money for harbor improvements, while the seas are not free, and while definite plans for local development based on sound business principles are lacking, may only add to the burden on the taxpayer and make it more difficult to hold and attract shipping and private marine investment.

Playing politics with our ports is not calculated to help our merchant marine. The novelty of harbor development and the glamor which surrounds the building up of a great port have given politicians and political contractors opportunities now shut off in other fields of politics; and while the history of port

development in Europe shows similar incidents of willful extravagance and wanton waste, necessity has finally established port administration in Europe on business principles. In the United States the work of the grafting politician and the incompetent theorist has tended to create a distrust of harbor work, similar to that which attended the early development of our rivers for hydro-electric purposes, operating against a reasonable and businesslike discussion of the problem.

Many of the port authorities in the United States have been appointed for political reasons, yet it is probably true, to-day, that, due largely to this organization of port authorities, there has grown up among these officers a belief that politics is the greatest curse that can come into port work, and more and more they are organizing their work along non-political, scientific lines. Skilled engineers and other expert employees will not enter port work while it is the sport of politicians.

Another important political obstacle to port development which is more or less concealed but none the less powerful and in earnest, is the opposition of the beneficiaries and the backers of the home market protectionist theory. The mountains of undue profit wrung from the American people look good to its beneficiaries, who are now taking advantage of the situation caused by the war to attempt to get the tariff back on its old basis. Between the Independent Democrat, the Independent Republican and the Progressive, there is no longer any substantial division over tariff policies. The free trader in the United States will soon be as scarce as the passenger pigeon. The advocates of unfair tariffs are not in any one political party. The inside history of the McKinley, Wilson, Dingley and the Underwood bills gives evidence of the truth of General Hancock's assertion, that the tariff is a local issue, and the fellow coming from a section which is weak in votes in Congress is the one to carry the burden.

One of the important committees in every golf club is the Handicap Committee, the duty of which is to keep thoroughly informed as to the playing ability of each member of the club, who, as his game improves or declines, is handicapped accordingly. What the United States needs, and what Germany substantially has, is a tariff handicap commission, which will put the tariff at exactly that point which, with a little margin for

safety, will fully compensate for the advantage any alien country has over this country in production. While Great Britain and Germany were studying foreign markets and doing everything necessary to secure them, arranging for credit and financial connections in South America and in the Orient, our tariff politicians of all parties were appealing to prejudice and passion for votes. If the American manufacturer cannot succeed in competition with a tariff which equalizes competition and gives him a margin of safety, he will not succeed, no matter what the tariff.

Rightly or wrongly, we have surrounded ourselves in the United States with a network of tariffs which have been accompanied by a so-called prosperity, manifested in high wages, high prices, etc., the net result of which is difficult of discernment. In addition we have developed carelessness in methods of production, which goes with a cock-sureness that if the need ever comes, we can win foreign trade or anything else we go after, without serious preparation or special sacrifice. It is probably true, however, that under existing conditions, and certainly unless we develop the best industrial efficiency in the world, we are tremendously handicapped in attempting to compete with low priced foreign goods on any line of production where the item of labor as contrasted with raw material is an appreciable factor. As American foreign shipping is handicapped by regulations and laws, so manufacture for the foreign market is made exceedingly difficult because of the special conditions which prevail in this country.

The burden of the high cost of living is especially noticeable in this country, and is due initially to the depreciation of the purchasing power of money, to which have been added the more immediate effects of the wastes, extravagances, and carelessness of life, including the costs of war, past and present.

Solution of the high cost of living on our foreign trade is difficult of accomplishment as far as the individual is concerned, because it is working against human nature, but in manufacturing products for foreign markets it can be accomplished by co-operation between the wage-earner and the manufacturer to reduce cost, by industrial efficiency. This question of industrial efficiency, in its relation to foreign trade, is important

enough to warrant a separate paper, but no discussion of this problem would be complete without at least a mention of it here.

Shipping Laws.

Since the Civil War, our shipping laws, in addition to the tariff imposts, have made it difficult, if not impossible, for the American capitalist to invest in maritime property with hope of adequate return. Ships cost much more to build in the United States than abroad, and the regulations placed by law on American shipping are not matched in any other country in the world. This is especially true of wages and conditions of labor. Foreign ships have an advantage in the cost of fuel, supplies, insurance and upkeep, but this is not so important. The handicap under which American tonnage in the freight business suffers is from 10 per cent. upward. For passenger ships this cost increases greatly, so that American competition in this field under normal conditions is practically impossible.

The La Follette Seamen's Bill is a case in point, and if not repealed will probably put the American merchant marine entirely out of the competitive running. The hope that ships flying our flag can comply with the provisions of this bill and compete successfully with ships flying alien flags is beyond the comprehension of any person familiar with water transportation and its difficulties.

The provisions of this law apply to ships leaving the ports of the United States and to ships lying in our harbors. The Solicitor for the Department of Commerce has given an opinion that this law can be enforced only on ships flying the Russian, Italian, Greek and possibly the Swedish flag. This leaves Great Britain and Germany immune from the provisions of this law and makes the situation worse than before the law was passed, because the only real competition we have at present is with Great Britain.

Coastwise lines, serving the ports of the United States, are seriously affected by this law. Whether they will be obliged to raise their rates to the level of rail tariffs or go out of business cannot be determined until the full effect of the law has been felt. Ships flying the United States flag have, prior to this law, been obliged to carry more seamen than any other country re-

quires, and yet under this bill an additional shift is required. Under Section 13, sailors must be able to understand orders given by the officers in English. Since the decline of the American Merchant Marine after the Civil War, English-speaking sailors have been getting more and more scarce, and it is either foreign sailors for our ships or none. This requirement conceivedly may, and probably will, declare unfit for service, a crew unfamiliar with the English language, but absolutely competent and satisfactory in every other way. There is no more need of a law requiring seamen to speak English, than there is of a law requiring factory hands to know the language. These are only samples of the handicaps imposed by this law on shipping.

If this country believes it is its humanitarian duty to act as the model employer of seamen for the world, Congress, which has passed the bill, should establish, from the people's treasury, a subsidy to reimburse ship-owners flying the American flag for the increase in cost of running our ships, over foreign competition, made necessary by our laws. It will be much cheaper for the nation to do this, than to allow a comparative handful of wage-earners, because they work on the sea, to impede the commercial advance of a hundred million people. It may be a comfort to the American seaman, who because of our shipping laws is forced to sit on a cap-log and watch alien ships coming in and going out of the harbors of the United States, to dream of the blissful existence of the sailorman if our country did have a merchant marine, but the American workman, loafing three or four months out of each year because the country does everything to block the way, rather than take advantage of the opportunity to place his products in the foreign markets, will undoubtedly look at this matter in a different light.

Differentials.

Another cause operating to make port conditions unequal is the practice, introduced more than a generation ago, of rail differentials in favor of one port as against another.

Boston is 190 miles nearer Europe than New York, yet ocean and rail rates at both ports are the same. Philadelphia is 60 miles further from the ocean than New York, and yet Philadel-

phia is given a preference of 40 cents a ton on the export railroad rate. This difference of 60 miles has not any effect on the ocean rate, and makes no appreciable difference in cost, for the rail haul. Yet on a 10,000 ton cargo, this differential gives a Chicago shipper, via Philadelphia to Europe, approximately $2,000 gross difference in favor of Philadelphia over Boston. The cost of an import cargo of 10,000 tons from Europe would be approximately $6,000 less to Chicago via Baltimore than it would be if taken through Boston, and about $4,000 less than Boston if it went through Philadelphia. An export cargo of 10,000 tons from Chicago to Europe would be approximately $2,000 less via Baltimore and Philadelphia than via Boston or New York. During the year 1914, Boston had 378 less ships and 1,145,579 less net tons of shipping "clearing" from Boston than "entered" here in the foreign trade — the export differential driving this amount of shipping to other ports for their outbound cargoes.

It is not a healthy condition of affairs when a vessel cannot get outward cargo at the port where she discharges her entire cargo, and instead must journey 300 or 400 miles further in ballast, at a cost of at least two days in time, to other ports which have the advantage of the differential.

An example of how this works out is shown by the records of full cargoes of grain, outbound, from January to June, inclusive, 1915, during which time Baltimore shipped 229 full cargoes against 6 from Boston.

Although Boston's "clearances" of shipping in the foreign trade are greatly affected by the working of the port differential, the "entrances" are not similarly affected, although substantially the same differential applies on import as on export freight, because most of Boston's imports, in fact 80 per cent., are for New England manufacturing cities and towns and not for points in differential territory, and shipments thereto do not fall under the import differential rule. However, on the remaining 20 per cent. of the imports for the West and Canada, the existing import differential works a complete hardship against Boston.

But it is particularly on export freight that the differential hurts Boston, for Boston must depend on differential territory

to get the bulky export cargo so desired by steamships, and so necessary to secure direct sailings. Here the situation is exactly the reverse of the import trade, Boston getting 80 per cent. of its export cargo from differential territory and only 20 per cent. from New England points. On 80 per cent. of export, and 20 per cent. of import cargo, or 50 per cent. of the entire foreign commerce of Boston, therefore, the differential applies and works great hardship upon this port.

Under this situation it is not a question of advantage in distance, but only an advantage in rates. The ports having the lowest railroad rates, regardless of other conditions, get practically all the business; and while it helps Baltimore and Philadelphia, it is not in the interest of the inland shipper, nor do the railroads benefit to any considerable extent; in fact, they are injured because the profits do not go to them, but to the steamship companies.

The result of the port differential is practically to subsidize the steamship companies for the greater part of the difference in the railroad rates. The foreign steamship trust takes advantage of this differential to increase the ocean rate by a substantial part of the difference of the rail rate, thus forcing the railroad companies to cede the difference to them. The differential practice works to give one port undue preference over another, is unfair competition, and should cease.

New Orleans is 207 miles nearer Chicago than Galveston, and yet that port and Galveston, together with all the other Gulf ports, including Pensacola, Mobile, Gulfport, Port Arthur and Texas City, have the same import and export rates thereto and therefrom.

Philadelphia is 164 miles and Baltimore 188 miles nearer Chicago than Boston, and yet there is a difference of from 6 cents to 8 cents per 100 pounds of imports, and 2 cents to 3 cents per 100 pounds on exports thereto and therefrom. Boston and New York have the same rates.

As all the Gulf ports have the same export and import rates to and from common points, the North Atlantic ports should in equity have the same export and import rates to and from common points.

Free Dockage.

One of the proofs of our maritime decay is the fact that all the large Atlantic ports, except New York, have allowed the foreign steamship companies to extort free wharfage from the railroads. Ships under the control of this combination, which in their own countries are obliged to pay rental for the wharves they use, sufficient to reimburse the owner, — whether it be state, municipality or otherwise, — to the extent of interest, maintenance charges, and, at substantially all European ports, a profit in addition, demand in the United States free wharf and pier accommodations, on the threat that if this is not granted they will not use the port. This situation must be humiliating to the patriotism and self-respect of the American people. New York alone, of our eastern ports, is able to enforce port charges, because New York controls enough business to force the foreign companies to pay wharfage as they do in their home ports. The Cunard Line has been coming to Boston for seventy-five years and for a large part of its time owned its own pier and paid for its maintenance. Ultimately, however, it was able to force the railroad with which it had direct connection to buy its pier, the use of which it now receives free.

The port authorities in Boston, Baltimore and Philadelphia are naturally chafing under this situation, but have been unable to make any headway against it. Including the Commonwealth Pier, Boston, owned and operated by the State, the losses on which are borne by the Commonwealth of Massachusetts, it costs the Commonwealth and the railroads doing export and import business in the port of Boston about $2,000,000 a year more than the total income received on the export and import freight handled through Boston. This does not consider the offset due to the community value of a port,[1] which is enormous and cannot be estimated, yet there can be no justification in business or in morals for a practice which thus forces a port city to give up its greatest natural asset — its water-front — for the sole use and profit of a foreign steamship trust.

The foreign steamship companies will never voluntarily give up the profits they are getting from free wharfage, which carries with it the possibility of playing one port against another.

[1] See chapter on "Community Value of a Port," Supplementary Report, Directors of the Port of Boston, March 31, 1915.

The only remedy in sight is to appeal to the Interstate Commerce Commission for relief. Section 1 of the act defining the powers and duties of this Commission declares that every unjust and unreasonable charge with reference to commerce with subjects of foreign countries is prohibited and unlawful. The port authorities of Philadelphia, Baltimore, Boston and elsewhere, now giving free wharfage, should take advantage of Section 12 of the act of the Interstate Commerce Commission, which gives that body the right to inquire into the management of the business of foreign carriers, and obtain from such carriers complete information necessary to enable the commission to perform its duties.

Section 15 further prescribes that when the Interstate Commerce Commission is of the opinion that any practice of a carrier is unjust and unreasonable, it shall define what practices are fair, and make an order to that end. In the case of the Interstate Commerce Commission vs. The Federal Railroad Company,[1] the Supreme Court of the United States laid down the rule that the object of the Interstate Commerce Commission was not merely to settle disputes between shippers and carriers, but had a far wider scope and design, and of its own motion could, without the intervention of individual litigants, institute and carry through proceedings for the correction and righting of wrongs affecting the public commercial interests. It would certainly appear that any practice which in Boston alone results in a net yearly loss of $2,000,000 to the railroads and the Commonwealth, above total receipts, due wholly to free wharfage, for the benefit of the foreign steamship trust, is an abuse and a wrong, not only to the nation's commerce, but to the individual stockholders of the railroads concerned. Inasmuch as Baltimore, Philadelphia and Boston are equal losers from this practice of free wharfage, they have everything to gain, and nothing to lose, even from the standpoint of competition, by joining in an effort to have an adjudication by the Interstate Commerce Commission on this most important matter. This Association has already asked the Commission to look into the matter of freight rates in respect to switching charges, without result, and this request, with the question of free wharfage added, should be renewed.

[1] 57, Federal Reports, 1005.

Harbor Dues.

One important difficulty in the way of needed uniform harbor dues is the fact that there is no similarity in cost of piers, and therefore no proper basis of comparison. A charge in one port which would be ample to pay a profit will not be sufficient to pay maintenance alone on the more expensively constructed terminals in another harbor. For example, the reinforced concrete, two-story pier, with elaborate and expensive ornamentation, in Boston, costing $7.85 a foot, could not be maintained on the same harbor dues as, for example, the single-story pier sheds of New Orleans, costing approximately $1.16 per foot. The pier costs in the various ports run all the way between these two extremes. The Boston & Albany Railroad piers in Boston cost very much more to build, maintain and run than the nearby piers of the Boston & Maine, while the Boston & Albany piers are in turn not to be compared in cost with the Commonwealth pier across the harbor.

If we ever are to have uniform practices regarding port administration, an approximately uniform harbor rate must eventually be agreed upon. This rate can be based on the average cost of all piers in the various ports, considering repairs and renewals, over a ten or fifteen year period. If, for example, it costs more in one city to build piers, or if any given city desires to put money into ornamentation or to allow politicians to profit in pier construction, this should not be charged to commerce. Basing harbor dues on an average cost of piers and foundations, everything in excess of strict utility construction should be charged off by the port as advertising or as an inducement to ships to use one port in preference to another, which would be a legitimate kind of competition between ports to attract business. I strongly suggest that this matter be referred to a committee from the Association of Port Authorities representing the various ports, which will make a study of this problem to the end that some basis of uniform harbor dues, considering the first cost of piers, value of improvements, time of occupation, service, etc., may be worked out, and sent to all port administrators for consideration. Such an inquiry, if it does nothing more than expose the existing diversity of practice and excite discussion, will be of tremendous service.

River and Harbor Appropriations.

The indifference of Congress to the needs of the Northern ports in the appropriations for river and harbor improvements among the various states, while at the same time being persistently and consistently liberal on projects suspiciously of political origin, has apparently placed the selfish interests of certain sections above the national good. The ports on the Atlantic seaboard are as much the ports of Iowa and Michigan as they are of the states immediately surrounding them, and should be considered as a part of the nation's resources. The Northern Atlantic States, especially, have been liberal in their appropriations for river and harbor improvements within their own boundaries, but have received from Congress nothing like their just share of the appropriation for river and harbor improvements.

Considering the river and harbor appropriation for 1914, Florida has received 92 cents per capita of population; Texas, 28 cents; Arkansas, 26 cents; North Carolina, 23 cents, as against New York, 21 cents; Pennsylvania and New Jersey together, 14 cents; Massachusetts, 6 cents, and Maryland, 3 cents. Considering the total appropriations up to and including 1914, Massachusetts has received $5.90 per capita and New England $6.60, while the Southern States have received at the rate of $9.10 per capita and the whole country at large $7.30.

When compared with the individual valuation of the several states, and the custom receipts, etc., the comparison becomes still more unfavorable to the Northern Atlantic ports.

If we are to have national river and harbor development, it must be businesslike and fair to all ports of the country. Appropriations should not be regulated by the political power of a particular section. The nation should decide how much money it can afford to spend in any given year for its maritime development work, and the entire disposal of this matter should be left to the discretion and control of the Engineer Corps, U. S. A., which has demonstrated fully its ability to carry out this work in a non-partisan and scientific spirit, with due regard for the interest and need of the whole country. Great progress has been made during the last few years in nationalizing and popularizing river and harbor appropriations, but much yet remains to be done.

Railroad Finance.

A handicap to the equal development of all our ports is the financial control of New York over the railroads of the country. This control has made it possible to increase the importance of New York in transportation matters, and to make other Atlantic ports subservient to it. Although this is not vitally important, it has a tendency to work for a concentration of shipping facilities at one point; while if our seaboard were considered as the asset of the nation and the ports utilized properly, rather than at the order of the controlling financial railroad interest, the railroads themselves and the country as a whole would in the end be very much better off.

The Shipping Trust.

The principal and most powerful influence working against the American people in their attempt to establish an American Merchant Marine is the control of the transatlantic trade of the United States by steamship companies governed by monopolistic combinations with headquarters in London.[1] This trust is operated under agreements and conferences with two motives: to arrange for the competition of lines within the agreement, and to prevent the intrusion of all independent lines. It is able to maintain prices based on its power to charge, and has been able to crush competition tending to lower these prices; to maintain minimum charges, divide tonnage and passengers and avoid conflict in sailings, and in some cases even to pool profits. All this has been clearly demonstrated in the investigations of the shipping trust before Congress during the past three years. By a system of rebates, this trust keeps shippers in South America and elsewhere under absolute control. Before the war, a ship might carry American goods to South America, but could not get a cargo of South American goods back to the United States, because the South American shippers could not afford to antagonize the Shipping Trust. In its methods of meeting competition the trust is remorseless.

While it is in some instances true that a decade ago our manufacturers did send goods to South America which failed to

[1] See Senate Res. 543, Hearing before the Special Committee of the U. S. Senate, 63d Congress, Parts I to IX. Supplementary Report, March 31, 1915, Directors of the Port of Boston.

meet the prejudices of the consumers, and those shipments did not meet requirements in the matter of packing and shipping, yet, owing to the dissemination of knowledge on this matter, our manufacturers are now shipping goods which in every way are up to the standards of those countries and which are packed and distributed according to the customs in vogue and desired by the buyers in those countries.

Everything which it is possible to do, to discourage the sale of American products, by misrepresenting quality and methods and restricting facility of intercourse, especially in South America, has been done by our European competitors who control, or are backed up by, the shipping trust; and the Yankee who has always prided himself on being able to take care of himself and fight for and obtain his rights, has been obliged to throw up his hands to this trust. In every seaport in this country, the shipping and other agents of this trust are to be found in strategic positions on maritime committees of the chambers of commerce, and thus have been able to minimize, if not stifle, inquiries into the oppressive practices in vogue.

President Wilson's Ship Purchase Bill, which would practically put the government into the shipping business, was inspired by undoubted evidence that American shipping was in the clutches of a foreign shipping trust. The objection to the Wilson Shipping Bill, which implies government ownership and operation, is that it is not the remedy for the disease, and will probably make it worse. Another remedy, which has not the merit of being disinterested, as the administration bill undoubtedly is, is advanced by certain interests which for years have been trying to get a ship subsidy bill through Congress. Inasmuch as these very interests were in part responsible for the shipping laws under which our shipping has been suppressed since the Civil War, the fear that these subsidies would be for the benefit of a certain favored class only and leave the question of the freedom of the seas as undecided for the independent American shipper as before, has properly defeated all such subsidy legislation.

While there are other obstacles in the way of an American Merchant Marine, these are the principal ones. It will naturally follow that the question as to whether there will be public or pri-

vate ownership and operation of our water terminal facilities in the United States will thus be seen to be more or less contingent on whether the handicaps enumerated can be removed.

Public Control of Terminals.

While the removal of the obstacles which confront us must be diligently pursued, it is important that with this must come the fundamental need of our mercantile marine — the absolute ownership and control by the states having port cities, of all water-front terminals and the approaches thereto.

This does not necessarily apply to operation of these terminals, which, if necessary, can be conducted on the plan in vogue in Boston as to the subways, whereby the Transit Commission builds and leases to the Street Railway Company all the City's subways; and it certainly also does not imply taking over the rail terminals, because, unless justified by special reason, such a present extension of public authority would be most unwise. The time will probably come in the United States, as it has in the ports of Europe, when the standards of public office-holding will warrant such a step, but this is yet a long way distant.

We must not be swerved from our pursuit after the attainable by the cry that public ownership of water-front terminals is socialism, which has impudently appropriated as its own the fundamental truths of religion and democracy. No extension of public enterprise which is in the people's interest and does not stifle individual initiative is socialism. The taking over of highways and waterworks was progress in the line of democracy. It may be, as we get further advanced in the ideals and standards of office-holding in this country, that municipalities will own and operate street railways and lighting plants. There is no magic in private ownership that brings success; it is simply a question of men. When the public can get as well-trained men as the corporations can, it may in safety take over and control public utilities, but public ownership and control of the harbors, and the lands in, under and around the water-fronts, is such a simple problem compared with public ownership of railways, for example, or railroad terminals, that no fear need be expected on th's score.

Indeed the movement for publicly owned docks and terminals is now being urged by many interests which have heretofore been strongly opposed to such ownership.

A ship that can sail the ocean and be obliged to dicker for a pier on arriving at a harbor to discharge its cargo, is in exactly the same position as a train which can run on its own rails and be obliged to bargain with each station agent to find out whether it will be allowed to let off its passengers and the conditions on which they may step upon the platform. Allowing all legitimate differences of opinion as to the wisdom of the policy of government ownership of railroads, there can be no fair argument that it is common sense to own the road and not own the station. In this case the ocean is the road, and the water terminals are the stations. Public ownership and control should include not only the piers and railroad approaches, but also the grain elevators and warehouses, which are a part of every properly equipped port. This does not imply operation by public authorities; rather the contrary.

The question of whether belt lines should be privately or publicly owned is solely a matter of whether the railroads entering the port are willing to provide for the easy interchange of freight between the several piers and from one railroad to another. Especially if the ownership of water terminals is vested in the railroads, they should be forced to build and maintain facilities for the liquid interchange of freight to and from the port. If the marginal property is in public control, the state or city should dictate the conditions under which the belt line shall be operated, to the end that public control shall be guaranteed. The experience of the City of New Orleans, which was forced to establish its own belt line, is illuminating, as showing what can be done. The ownership by New Orleans of its belt-line railroad does not involve any destruction of democratic ideals and was born of necessity. Other ports may be compelled to do the same thing.

All lands adjacent to the water-front should be publicly owned or controlled, so that progress can be made along definite and practical lines. The management of industries to be located on these sites, and of the warehouses, is not a public function and should be under private control.

The type of port administration is not material, provided it is businesslike. Whether it be the American city or state, the English commission or the Continental municipal type, either can be made successful if politics is eliminated and honesty and efficiency are in charge. It is not the form of administration, but the *quality* which is important and which will determine the result.

At the present time, terminal property of the railroads in all the cities of the Atlantic seaboard, except New York, is a white elephant on the hands of the railroad owners, who would undoubtedly be willing and glad to give the property up under proper conditions, if they can be assured of a uniform port administration that will give them the needed facilities to do their business. The relation of private water-front owner to the public immediately presents itself as one of the obstacles to the public ownership of water-front property, and the answer to this question was so well given by Mr. Calvin Tomkins of New York in 1910, that I can do no better than quote him: —

> "I believe that in municipalizing the water-front, the city should "seek to include in its acquisitions for terminal purposes the back "lands necessary for transshipment sheds and for a marginal railroad. "These are all integral parts of a port's equipment and should not be "separated. I agree with Mr. Bush in thinking that the city should "not undertake the functions of warehousing and manufacturing. "While it is incumbent upon the city to place its water-front under "a continually increasing degree of public control . . . through "leases and permits on city property, private lessees shall be guar-"anteed either permanency of occupation or indemnification against "change. It should be the city's policy to seek to stimulate in every "possible way private enterprise in warehousing and industrial de-"velopment.
>
> "The gradual municipalization of the water-front should be under-"taken so as not to discourage private enterprise, but in a manner "which shall give assurance not only to the holders of backlands, "but also to the private holders of water-front property, that their "interests will be safeguarded until such time as the competition of "this port with other ports shall gradually make necessary public "ownership and control of the entire water-front."

Port development under proper conditions is for the purpose of helping private interests. No greater calamity could befall the movement for better harbor facilities than to antagonize or injure private undertakings or industries.

Without minimizing the importance of other interests and issues now before the people, it is perhaps not an exaggeration to say, that this question of harbor development and the freedom of the seas, is not dwarfed by comparison with any other subject now attracting the attention of the American people.

The general obstacles to port development enumerated above, and the local problems which are summarized and annexed hereto, stand restraining the impatient tide of the nation's progress. They are the barriers against the flow of commerce out of this country, which prevent us from sending our products to needed customers in other lands.

Public ownership and control of the water-fronts will naturally meet opposition from the railroads, which have appreciated the value of ownership of water terminals and have granted the concessions of free dockage at the demand of ocean steamship companies, intending to reimburse themselves by the profit from haul on freight to inland points on their lines. This fact admits that free dockage is unjust in spite of the claim that use of these terminals is thus given away in an endeavor to secure business. The railroads and stockholders while suffering great annual loss from this practice, are loath to relinquish these valuable water-front holdings.

The fear of the effect upon the railroad interests of the attitude that would be taken by public officials is the basis for opposition to the acquisition of railroad water-fronts by the public, and explains the apparent inconsistency in the willingness of railroads to continue to bear this annual burden and unwillingness to part with water-front holdings so highly prized.

The great foreign steamship trusts, which dominate the seas, will hesitate to give up their free piers, special privileges and secret agreements with the railroads. The shipping trust will reluctantly withdraw its crushing power from our commerce, and will contest to the end any movement which will restrict it in its oppressive practices, for it cannot fail to see that the maintenance of harbor systems on uniform lines in this country, which will put all commerce on the same terms, is the entering wedge to the real freedom of the seas. This movement is, therefore, surely destined to meet an opposition as powerful as

it is bitter. To succeed, we must have courage. We must not antagonize private interests. If we are to accomplish that which is so near and dear to our hearts — successful development of our water terminals — the increase of business which will follow will open up the old ambition of a hundred years ago, to primacy in the maritime commerce of the world.

EDW. F. McSWEENEY.

LOCAL PROBLEMS OF PORT DEVELOPMENT.

New Orleans.

"The only problem . . . at present is that of arriving at the ideal system or method of applying the tax which commerce should bear toward the upkeep and maintenance of its modern and highly developed system of port facilities."

Seattle.

As in Boston, the switching charge is the great problem. "The Port Commission has for three years been endeavoring to persuade the railroads to form a terminal company, establish a single zone in place of thirteen zones, and a single switching charge in place of the graduated charges running from $1.50 to $12.50, but so far without success."

The Seattle Port Commission has constructed and operates a $1,000,000 pier with storage yards for lumber, a grain elevator, a cold-storage plant and several warehouses. The problems of these forms of public service include revolving funds for advancement of freight charges of ships, and rail carriers, already created, issuance of warehouse receipts and limitations of liability for damage to goods, apparent tendency of railroads and water carriers in sympathy therewith to discriminate against public facilities, political or legislative tendency to handicap public facilities, opposition of vested interests and the need of directing the attention of the Federal Government to correlation of water and rail terminals to enable the general public to gain advantage of cheap water freights now largely lost, due to excessive cost of distribution in port or terminal cities.

Portland, Oregon.

The specific problems are lack of realization by the community as a whole of the importance of the port, and the fact that capital has become accustomed to depending on the railroads and has not been properly trained to consider water-front problems. Added to this is the present failure in getting a fair share of through freight and the lack of interest shown by

the railroads in short-haul traffic, the equalization of handling charges and different phases of local transportation in the way of towage, pilotage, handling charge, wharfage, switching, navigation laws and the apparent apathy of the whole country in respect to its merchant marine.

New York.

New York has made great material progress in providing for freight-handling facilities. The chief problem now is to co-ordinate, organize and develop the various portions of the water-front.

Mobile.

The main problem in Mobile is the warehouse problem for the assembling of goods which consist mostly of cotton. The lack of a grain elevator at public wharves is a serious handicap.

Philadelphia.

The greatest important local problem is not so much the physical development of its port facilities as the development of public interest and support. An endeavor is being made to urge shippers to agree to ship ordinary freight, for which extreme expedition of movement is not a primary consideration, from their home port. The custom of the railroad free wharfage is another problem. Offering free wharf space to certain favored lines and not to all applicants is a distinct violation of the spirit of all our laws of Pennsylvania, and in fact amounts to a rebate pure and simple. This matter warrants a joint meeting of the Interstate Commerce Commission and pier-owning municipalities for discussion of this subject to outline a course of action and brjng the matter formally to the attention of the Commission.

SUMMARY OF ARTICLE.

The first step toward erecting a building is the clearing of the site of obstacles and débris. Applying the same general principle to the up-building of the ports of the United States and the creation of an American Merchant Marine, the United States must clear away all obstacles which tend to work against the free flow of traffic and the businesslike administration of our ports.

These obstacles are summarized as follows: —

First. — Politics of all kinds which make port development and port administration a football for selfish ends; the misuse of port appropriations for party spoils and the employment of political contractors; tariff politics and political river and harbor appropriations; the high cost of living in the United States and the need of co-operation and industrial efficiency.

Second. — The new shipping bill, added to former oppressive shipping laws, which increases the cost of running ships under the American flag to a point that makes impossible the investment of capital in marine property.

Third. — Playing into the hands of the foreign shipping trust which has been shown to be the most powerful opposition to the development of our American ports and the greatest restriction to the free growth of an American Merchant Marine.

Fourth. — Port differentials which give an artificial disadvantage to some ports to the advantage of others.

Fifth. — The lack of a uniform system of harbor dues. Dues are now made only in regard to local conditions, concerning which it is here recommended that a study be made by a committee of this association to the end that a logical and uniform system of dues, fair in proportion to the service rendered, be established.

These and other minor obstacles which have been enumerated must be swept away before the United States can begin to form any comprehensive plan for port development and prepare the way for an American Merchant Marine.

Sixth. — Public vs. private ownership of water-front properties. Development of all water-front property should be under

public control, if not ownership. This control or ownership should include not only water-front property, but industrial and warehouse sites, railroad and belt-line connections around the port. Whether operation of the port shall be in public or private hands is a matter to be settled by the exigencies of each local situation, but ultimate public ownership and control of all port properties is the end to be desired.

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WE ARE AS UNPREPARED FOR PEACE AS WE ARE FOR WAR

By
GEORGE W. PERKINS

TO THE READER:

SIR:—The accompanying article is the fourth in the series of constructive studies of the conditions precedent to the genuine welfare, prosperity and national efficiency of the United States, which Mr. George W. Perkins has prepared for particular occasions, and which have been published in the pages of THE ECONOMIC WORLD and subsequently given still wider circulation by us in pamphlet form. Great numbers of men of affairs and of patriotic citizens generally all over the country have evinced deep interest in the former articles; and they should find the present study of "industrial preparedness" equally illuminating and instructive.

Will you be good enough to give an attentive reading to this article, and to write us your opinion about it? What you write will be considered confidential, if you so desire; otherwise we shall feel free to use it for publication.

THE EDITORS,
THE ECONOMIC WORLD,
80 Wall St., New York City

FOREWORD.

The American people at last begins to realize that the problem of "national preparedness," in the broadest sense of that term, is upon it, and that it must be resolutely and adequately taken up at once. If we are to withstand, in the days ahead of us, the inimical operation of world forces, both political and economic, the effects of which will be enormously intensified by the European War, our national life must have unanimity of purpose, co-ordination of effort and effectiveness of action.

The obvious lesson of the present war is that great nations may no longer count upon crossing bridges when they come to them, upon the mere extemporaneous gathering together of their powers to meet crises, when these suddenly arise, or upon the ability of their citizens, accustomed to go each his own way, according to his own interests and predilections, to acquire off-hand a clear vision of the common objective, or the collective energy and efficiency necessary to attain that objective with the least possible waste, loss and risk of failure.

It is true that this great lesson is now being impressed upon us chiefly in a military sense; but every thinking person must perceive that its implications are no less cogently applicable for the nations of the earth—our own among them—when they are at peace than when they are at war.

Such is the situation which the people of the United States must prepare to meet; and "national preparedness" means for us the clearing away at a stroke of all public policies that have their roots in the selfish conceptions of sections or factions or classes in the country, the establishment of firm principles of common action for permanently beneficial ends, and the substitution in the minds of all patriotic citizens of ideals of the general good for ideals of particular advantage here or there. Mr. Perkins' article is a contribution to this programme.

THE EDITORS,
THE ECONOMIC WORLD,
80 Wall St, New York City

WE ARE AS UNPREPARED FOR PEACE AS WE ARE FOR WAR.

By George W. Perkins

I TAKE it that no sane, thoughtful person any longer questions the assertion that we are unprepared for war. The events of the past year and a half in China, Russia, England, France and other countries clearly show what can happen to the people of a country that is unprepared for war, and how, in case of war, a myriad of lives must be sacrificed and millions of dollars worth of property destroyed while the nation is engaged in the task of preparation. A government that will expose its people to this risk is not a wise and prudent one.

Preparedness for War.

Our country, therefore, has received with almost universal approval President Wilson's statement of several days ago that he now favors a policy for National Defense. We are informed that the Army and the Navy departments are busily engaged in making plans and estimates. The Navy Department has appointed a committee of citizens, who are inventors and experts, of which Mr. Thomas A. Edison is the head, to advise with and help the Navy Department in its preparations. The papers tell us that Congress may be asked for as much as $800,000,000 to carry out a programme of preparedness and defense. All this has to do with the possibilities of war.

Unpreparedness for Peace.

What has happened to the rest of the world during the past year has aroused us to a sense of our own unpreparedness. Until this frightful war broke out we were sailing on, blissfully and serenely, without making any preparations for defense against invasion by a foreign foe. Suddenly we have awakened to our dangerous condition. And yet the question of our being attacked by a foreign foe with battleships, submarines, airships and armies is not a certainty—it is but a possibility. **We may not have to face a war at arms with foreign nations, but we are certain to face war in industry with foreign nations. War may not come, but peace will surely come, and, after peace, industrial conflict.**

We may not be invaded with long-range guns, but we actually are being and will continue to be invaded with long-range methods of inter-communication. The long-range gun, the submarine, and the airship are the most deadly instruments of modern war at arms. The long-distance telephone, the Atlantic cable, and the wireless are the most deadly instruments of war in industry. We may not have to face the former; we are already obliged to face the latter.

Industrial Depression Before the European War.

Every man from Maine to California who is in any way engaged in banking or industrial pursuits knows that when this war broke out the business of this country was rapidly shutting down. Factories were closing or going on short time. Thousands of men were being thrown out of work and an industrial depression was upon us. This depression

had been gathering force and headway for several years, largely because of the construction placed on the Sherman law by different governmental officials of various parties. Under these constructions the business men of this country reached a point where it was impossible for them to know how they could do business on a co-operative scale and do it legally. The result was that attempts to organize new enterprises on a large or co-operative scale were given up; for men even as ambitious and energetic as our American business men are not going to risk a jail sentence in undertaking a business enterprise. The Taft policy of dissolution as a solution of the trust problem had capped the climax. Expansion in business languished when the Democratic Party came into power and passed its tariff measure. The effects of this began to be felt keenly in the Spring of last year. By mid-Summer our combined troubles over the Sherman law and the Wilson tariff law brought a depression that was country-wide and increasing in intensity each month and we found ourselves, as Governor Ferguson, of Texas, very aptly said, "broke, with our pockets full of money."

What Will Happen After the War?

At that time the great European War suddenly began, and automatically a high tariff wall was built around this country. Europe had to turn her attention instantly from manufacturing goods which she could sell abroad in times of peace to manufacturing war materials for use in her great internal struggle. Hundreds of thousands of men were taken out of her factories and put into her armies. In addition to this, she found herself compelled to come to us for war supplies. Her orders for these supplies set

our idle factories at work and re-employed our men who were walking the streets seeking work, so that during the last few months we have seen a large percentage of our idle men put to work on what we call "war orders" from Europe. This, of course, is purely a temporary condition. Some day the war will cease—probably as suddenly as it began—and our men will no longer have this work. At approximately the same moment that Europe's demand on us for war supplies largely ceases, her men will be put to work manufacturing the things that she was selling to us so successfully under the Wilson tariff when the war broke out. In short, the end of this frightful war will automatically put many of our men out of work and many of Europe's men at work.

Identically the same condition will prevail that existed when the war broke out, plus another extremely important factor that did not exist at that time, viz., we shall have a very large amount of Europe's gold; Europe will of necessity make every possible effort to get back that gold and she will find that her easiest way—in fact, almost her only way—will lie in the direction of selling us manufactured goods at prices low enough to win back the gold she has lost. This will require her to use men in her factories at low wages, but those men will not consider it a hardship to exchange the trenches where they have been working for a few cents a day, on short rations, for factories where they will get better wages, beds to sleep on, protection for their lives and better food. On the other hand, our men over here will consider it a hardship to give up the high wages they are now getting for making war materials and accept lower wages for making materials used in times of peace. It seems to me that this phase of the matter is of the utmost

importance to our people, and if our Government were alive to this situation and eager to look after the welfare of its industrial classes it would at this very moment be at work on a policy of preparedness against this industrial war that is bound to come when peace is restored.

It will not do to lull ourselves to sleep with the argument that when this war is over Europe will be so exhausted in men and money that she cannot compete with us in the manufacturing lines. Emergencies and difficulties quicken the faculties of a resourceful people, and no country on the civilized globe to-day is more resourceful than Germany. **It is a great mistake to expect Europe to be hopelessly crippled, industrially speaking, when this war is over. The thing Europe will be crippled for will be gold. We shall have it, and her only way to get it will be by sending us manufactured goods at prices low enough to get back that gold; and this she will unquestionably do. As matters stand to-day we are wholly unprepared to repel her attempt to do this.**

The Need of a Non-Partisan Tariff Commission.

How can we prepare ourselves against Europe's industrial invasion? It seems to me there is just one way to do it and that is by securing from our Congress next Winter a bill that will create a non-partisan, scientific, permanent tariff commission that will be in constant session, taking up the tariff item by item, without regard to whether it should be high or low, but purely on the basis of what is equitable and right for all parties concerned and of proper reciprocity with other countries. Such a commission should be made permanent; it should at least be given full power to investigate and to recommend schedules to Con-

gress; it should be given all the power possible under our Constitution, and should be put in such a position toward the public that its findings, when announced, would carry so much weight that Congress could scarcely refuse to enact them into law.

Some people may object to this on the ground that it would be tantamount to taking the tariff-making power away from Congress and putting it in the hands of a committee; but this is no argument at all, because for thirty years our tariff has been made and remade, and each time by a small committee of the House and of the Senate, on purely a log-rolling political basis for political advantage. This small committee has then reported it to Congress, which has passed it without a large percentage of the members of Congress knowing much, if anything, more about it than the public itself knew.

The situation seems so clear, the need so urgent, the preparedness so necessary that I believe that, if the people of this country—farmers, laborers, bankers, manufacturers—will join in a unanimous demand on Congress for some such action next Winter, it can be secured from the present Democratic Congress; for while the Democratic Party is not in favor of a high tariff, it could with great propriety, it seems to me, be in favor of a tariff commission, for this does not mean a high tariff nor a low tariff, but a proper tariff.

Some of our Republican friends are urging that the Republican Party be returned to power, in which event it would adopt a policy of preparedness in this tariff matter by giving us a high tariff. It is dangerous to wait until 1917 to begin a policy of preparedness in this tariff matter, for the war may and probably will end sooner than that.

Then, too, we have been engaged long enough in this game of a low tariff by the Democrats and a high tariff by the Republicans. Five or six times during the past thirty years we have gone through this experience and each time with great loss to business and with thousands of men thrown out of work. Only recently Mr. Penrose told us that he was working on a revision of the Payne-Aldrich bill, which he proposed to introduce as soon as Congress convened. As Senator Penrose will in all probability be the Republican leader in the Senate next Winter, this means that the Republicans will endeavor to give us a Penrose-Cannon bill in place of a Payne-Aldrich bill. If such a course were pursued, it would only be a question of a few years until our Democratic friends would again make an issue of the tariff and we would once again go through the same performance we have gone through half a dozen times before.

Why temporize any longer with this great question? Why not meet it now and settle it now by all joining together, regardless of party ties and affiliations, and bringing the right sort of intelligent arguments to bear on Congress in such a way that Congress will dispose of the matter this coming Winter?

Some of us who have been deeply interested in this whole question have for this very purpose recently organized in Chicago a Tariff Commission League. It is purely non-political, formed to educate the public as to the impending danger and to urge upon Congress the necessity for preparedness in this respect.

The Need of a Merchant Marine.

The present war, frightful and regrettable as it is, furnishes this country with an unprecedented and enormous

opportunity to extend its foreign trade. No civilized people ever had such golden opportunities within their reach, and yet our unpreparedness to take advantage of them is so great that they are slipping away from us, and, as matters stand to-day, when peace comes we shall find ourselves worse off in the matter of our foreign trade relations than we were when the war began. If this should be the result, the responsibility will rest almost wholly on our Federal Government, which seems to be entirely incompetent and impotent to cope with the situation.

In addition to the tariff situation, let me cite in support of this assertion two or three other practical illustrations. Take the matter of our merchant marine. After the war broke out it immediately became evident that we were entirely unprepared with merchant ships on the seas. Our Government at once advocated the policy of a Government-owned merchant marine, and you all remember the precious time that was lost in debating this question in Congress and the Administration's defeat.

During the same Congress the La Follette bill was passed and signed by President Wilson, since which time our steamship lines on the Pacific Ocean have gone out of business and our place in that great trade is rapidly being taken by Japan; so that the net result of our Governmental activities since the war began, in the matter of a merchant marine, has been a marked decrease in our preparedness.

It is true that the Administration's policy for a Government-owned merchant marine was defeated, but several times since it met with that defeat the Government has made it known that it would take up the same programme again next Winter, and of course individual investors will not go into the shipping business on a large scale with

government competition threatening, in addition to other difficulties.

In glaring headlines and optimistic editorials our newspapers tell us that after this war is over New York will become the financial center of the world. I should like to know how this can be worked out in a practical way when the other nations own most of the ships with which to carry on the trade that makes the financial center of the world. London obtained and held her financial power because of her supremacy on the seas; and we shall never be able to obtain and hold anything like supremacy in international trade so long as other nations control the shipping.

An Unprejudiced Witness from Hong Kong.

To give you some idea of what has happened in this respect on the Pacific Ocean during the past few months, let me submit the following from a report to the Department of Commerce, at Washington, by Consul General Anderson, of Hong Kong, made on August 20th of this year. He says:

"The sale of the vessels of the Pacific Mail Steam-"ship Co. engaged in trans-Pacific service has precipi-"tated a crisis in the carrying trade of the Far East, "which is of the greatest possible practical importance "to American exporters and importers.

"As is generally known, the sale includes all American "vessels of the trans-Pacific fleet of this company. The "company has prepared to wind up its business in this "part of the world completely. Orders have been sent "general agents to close up their own agencies as well "as all sub-agencies in all parts of the Far East. The "personnel of the staffs in various offices have been

"given similar notice, with an indication of what steam-
"ers they are to take for their return to the United
"States and notice of no employment when they reach
"the United States. In Hong Kong the offices of the
"company are to be closed and the lease of an excep-
"tionally favorable office location has been taken over
"by a competing Japanese company.

"The loss of this tonnage amounts to about 224,000
"tons of actual carrying capacity without considering
"the possible expansion of which it is capable, reducing
"the total available tonnage across the Pacific to about
"half what it has been. The shortage becomes a direct
"and positive menace to all American trade in the
"Pacific.

"In the ordinary course of shipping affairs the loss
"of one company in such a trade would soon be made
"up by other companies placing ships on the run and
"taking up the business offered. Unfortunately there
"is little or no relief in sight in the present instance, for
"the Japanese Government has ordered the Japanese
"lines, all of which enjoy substantial, not to say large,
"subsidies from the Japanese Government, to take freight
"during certain months from Japanese ports only, thus
"serving Japanese industries and Japanese shippers in
"preference to other shippers in the Far East and, of
"course, without any reference to American interests in
"the premises.

"The only expansion probable is in Japanese lines,
"which are, in fact, making every effort to seize the
"trade of this American company as it relinquishes its
"business.

"While the general situation is bad enough, in that

"the only American steamship line operating on the Pa-
"cific has been driven from the ocean after many years
"of service (the Pacific Mail Co. was the oldest line
"operating on the Pacific Ocean) with all the loss of
"prestige to American trade which such change implies,
"and while it is disconcerting, to say the least, that
"business built up after long years of service by an Amer-
"ican company is being taken by Japanese competitors
"serving under heavy subsidies from the Japanese Gov-
"ernment, and with every possible assistance in other
"ways from such Government, the chief fact to be con-
"sidered at the immediate moment is that there are not
"now, and so far as may be seen at present, neither are
"there likely to be soon, sufficient vessels to carry
"American freight to its Eastern markets, or carry
"Asiatic raw materials to American manufacturers, while
"postal service and all similar facilities of trade depend-
"ing upon rapid and regular communication between the
"United States and the Far East can but be irregular
"and precarious for an indefinite period in the future.
"Whatever may be the cause or occasion for recent
"changes the actual result of such changes has been the
"placing of American trade and American interests in the
"Far East in the greatest jeopardy."

That indictment of the present administration was drawn by one of its own representatives, and is the result of the shipping bill signed by President Wilson last year. Can you imagine a more stupid, short-sighted policy than we have been following during the past year in the matter of preparedness for industrial activities on the high seas? Taft pursued a policy of dissolution on land and Wilson is pursuing a policy of dissolution on water; and between the

two the industrial development of this country is between the devil and the deep sea.

The Chinese Loan.

The present administration dealt another severe blow to our foreign trade in the Far East when, during the first days of the Wilson administration, it refused to allow our American bankers to participate in an international loan that was being made to China. Our bankers withdrew at the request of President Wilson, and the loan was made by Europe. In making it, Europe concluded trade arrangements with China by which very little, if any, of the actual money of the loan went to China, for goods went in liquidation of the loan. Of course, the English, French and Austrian merchants who furnished these goods immediately opened up trade relations with China which they will enjoy hereafter, while we threw away that golden opportunity for future trade with China.

The Anglo-French Loan and Trade Extension.

Only a week or two ago our bankers in New York concluded a $500,000,000 loan with England and France. Our Government again failed to embrace a golden opportunity for industrial preparedness, for, so far as we know, it took no hand whatever in these loan negotiations; it allowed the bankers to go on and make them without any regard whatever for the opportunity that presented itself to negotiate trade arrangements with England. Now imagine this country in war, for instance, with Japan and China and our going to England and France for a $500,000,000 loan. Does any man in this country doubt that the English and French Governments would immediately sit in with their

bankers and see to it that trade advantages were secured for the industries of their countries as part consideration for such a colossal sum as $500,000,000?

The Harlequin History of Our Anti-Trust Procedure.

As to our corporation question, the Sherman law and our policy of doing business, chaos reigns. In this great era of opportunity when we should have large industrial units reaching out all over the world with ample capital and large and well-organized bodies of men to capture international trade, which England and Germany with their great industrial machines have been enjoying, we not only have no ships but the few large industrial machines we have our Government is trying to legally destroy.

The policy of the Roosevelt administration was that there were good and bad trusts.

The policy of the Taft administration was that morals have nothing to do with the case—that the Sherman law must be enforced. You all know what happened in the dissolution of the Standard Oil and Tobacco Companies and the blight that fell upon business because of the many dissolution suits Mr. Wickersham prosecuted.

The Wilson administration said, when it created the Federal Trade Commission, that all would be well with business; yet months have gone by and no business concern has been able to get any help or advice from this Commission as to how it can do business legally on a co-operative scale. I recently heard that the Federal Trade Commission, of which we were told to expect so much, on its recent trip of inspection to the Pacific Coast, received over three hundred requests, asking how business on a comparatively large scale

could be done legally. The Commission could not answer any of these questions, for the simple reason that neither it nor anyone else knows what the Sherman law permits or prohibits.

Here we have three consecutive administrations, each having an entirely different view of what the Sherman law means and how business cannot be done. In short, the attempt has been made to conduct business in this country, or, rather, not to conduct it, on the personal opinion of some one man who for the moment happens to be in a position of great executive power.

The Need of a Uniform National Incorporation Law.

Meanwhile, none of the evils of which the people have been complaining in the organization of our large industrial companies have been corrected. Over-capitalization has continued; lack of publicity has continued, with no effort to correct it. Now we hear that a new steel company is to be organized; that a half dozen men have gathered around a table and decided that the capitalization of the new company is to be many millions more than the capitalization of the component companies; yet there is no law to prevent this. These gentlemen can go to some one of the forty odd States—it matters not which—and somewhere find a law that will enable them to organize. They can sell their watered stock to the public without any prospectus or subsequent method of accounting, and do it without interference. The risk they will take will be that five or seven or ten years from now some man in executive authority at Washington may decide that for political reasons it will be a good thing to attack this new company and try to put it out of business. We are told, in this connection, that all

will be well as soon as the two or three large trust suits now pending are decided by the Supreme Court. This is rank nonsense. No two industrial companies are organized alike or do business alike; and, therefore, an interpretation by the Supreme Court of the Sherman law in one case will not be a certain guide for all cases. It is impossible, therefore, under the present Sherman law for this country to organize industrially on as large a scale as is necessary to go out and compete with England and Germany for international trade. In short, we are in this all-important matter wholly unprepared for industrial peace.

The whole policy of our Government during recent years has been a repellant one—a destructive one and not a helpful and constructive one—to industrial enterprise in this country.

In my judgment, we will never be able to settle the corporation question in a manner that will bring preparedness for foreign trade, or anything like efficiency in domestic trade, until Congress gives us a federal incorporation law by which a large industrial concern desiring to do business in all the States and abroad can go to Washington, lay its prospectus before a Commission, and,—if it can show that Commission that its capitalization is to be honest, its publicity to be complete,—secure its charter and know that it is legally incorporated and free from constant harassing after it gets under way.

The Government Should Prepare for Industrial Peace.

It would be impossible in one paper on this subject of unpreparedness in times of peace to begin to cover the ground and present all the arguments in proof of the assertion that we are as unprepared for peace as we are for

war. I have only endeavored to cite some important and striking ones. Allow me to urge you to follow the question up and investigate it for yourselves. I believe that if you think of it deeply enough and earnestly enough, you will agree with me that we are as unprepared for peace as for war and that it is the duty of every citizen in this country to arouse himself to the seriousness of the situation and to do all that he can to arouse our Government at Washington and to make it take at least some intelligent active interest in this question, and do it now.

Our Government is at last aroused to the fact that we are unprepared for war. It is engaging from the ranks of our citizens the best minds in the country to advise it as to how to prepare a war defense. It is contemplating the expenditure of tens of millions of dollars. Why not pursue a similar policy in preparing for our industrial future?

The New Economic Era Calls for World Vision.

It is high time that this was done. When this war is over we are going to face a great new economic era. Only the other day we were startled to find that a new discovery made it possible for a human voice to carry from Washington to Honolulu without even the use of a wire. We are told that within a short time the human voice can in this way be carried around the globe. This is such a startling proposition as to stagger the imagination. It means that the world has been drawn into one close compact body. It means that any merchant can invade any other merchant's territory, anywhere in the world, with instant communication. It means that not only county lines and State lines are wiped out, but that international lines are wiped out, indus-

trially speaking; that whether we would or no we are no longer an isolated country.

We are a part of one great world-wide federation; and the sooner we realize this fact and prepare to meet it the better off we shall be. We cannot evade the new on-coming conditions. To attempt to turn back to small units of business and to old competitive methods is futile, and every well-informed man knows it. The failure of our Government in Washington to act in a large and constructive way on this whole question cannot fail to arouse great apprehension and fear for our industrial future.

Our politicians and so-called statesmen have given most of their thought to local questions, local issues, and what would elect them to office and bring them personal aggrandizement or gain. We must abandon this provincial sort of statesmanship. We must have men who will take a world-wide view of affairs. We must have more deep, intelligent thought and study of not only our problems but the world's problems.

In the New Era We Must Make Democracy Efficient.

We have been living in a land of milk and honey, where, during the last half century, things have come a mighty sight easier than in countries like England, France and Germany. Ours has been a new and undeveloped country, with a matchless climate, rich mines and fertile soil in abundance.

A people that could not have got on pretty well during the last half century, under the conditions under which we have lived, would have been a pretty stupid lot; but during the next half century we must face two new conditions, each of the utmost importance:

First, the fact that we nave spread throughout our country and opened it up. We have skimmed off the cream, so to speak. There is no more new land to be taken up. Our mineral resources have been opened up and are fairly well known. We are, therefore, facing conditions more like those under which England, France and Germany have lived, where frugality and efficiency must be practiced and studied.

Second, the great forces of inter-communication have drawn the world so close together that we must hereafter meet in sharp conflict the competition of the rest of the world. To do this we must know what the rest of the world is doing—know it intelligently, scientifically and thoroughly —and be prepared to meet it.

Easy Wealth Leads to Superficial Methods.

At the present time, our thought and knowledge on these two vast and all-important questions is superficial and sadly lacking. To illustrate what I mean, let me tell you the following story, recited to me only a few weeks ago by an American merchant just back from Germany:

One evening this man found himself seated at dinner next to one of the officials of the German Government's agricultural department. My American friend asked the German official what he thought of our country, and the German said he thought we had a very wonderful country and that we had had a wonderful period of prosperity, but that he doubted if our future held in store for us the prosperity we have enjoyed in the past. My friend asked him, why; and he replied, because we were a superficial people, did not study our problems earnestly enough, and were not prepared for the world struggle in industry which was facing every

civilized nation. To illustrate what he meant, he remarked that unless our annual wheat crop reached a billion bushels we thought we were poor. If we secured a billion bushels, we thought all was well and nothing could harm us. Then the German said that they were trying to get their people to pay less attention to the raising of wheat, to buy more of it from us, and to pay more attention to raising beets, to be manufactured into sugar and the sugar sold to us; that they knew that every bushel of wheat that came out of the ground took about 20 per cent of its nutriment from the strength of the soil, while the beets took most of their nutriment from the air; and they thought they were making a pretty good trade if they could eventually reach a point where they would exchange their beets for our wheat, which would in effect be swapping their good air for our rich soil.

That story may seem a bit fantastic, but to my mind it is an absolutely accurate comparison of the mental process by which Germany goes at her great industrial problems and the mental process by which we go at our problems. She is thorough to the last degree and we are superficial to a great degree.

The Country Needs Clear Thinkers and Unselfish Doers.

Gentlemen, in my judgment, the great economic questions confronting us to-day are as vital and important to the future welfare of our people as were the great moral questions that confronted us in 1776 and 1860. Those questions were settled by men who were willing to give up something, forego something, deny themselves something for the sake of their country and its future; and our questions of to-day, all-important and vital as they are, can only

be settled by men of the same type, working in the same unselfish, disinterested way. We must have practical, well-equipped men, who will go to our Congress and to our great executive offices in a spirit of self-sacrifice and patriotism—men who believe in service for service's sake. You men here in Indiana and similar men in other States have got to pause and think a little less about how much money you are making and a little more about what kind of a country you are making. Will you not do it, and do it now?

Econ 7262.+

Co-Operation for the Development of Latin-American Trade

An Address
Before the Chamber of Commerce of Mobile, Alabama,
March 4, 1914.

By
FAIRFAX HARRISON
President, Southern Railway Company
President, Mobile and Ohio Railroad Company

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Bureau of Railway Economics

CO-OPERATION FOR THE DEVELOPMENT OF LATIN-AMERICAN TRADE.

The doors of opportunity are opening for Mobile. Within less than a year ships will be passing through the Panama Canal. Localities in many parts of the United States are expecting to derive great benefits from this shorter waterway to the west coast of Central and South America and to all the markets of the Pacific Ocean. I know of no city the expectations of which with respect to the Canal rest on a firmer foundation than those of Mobile. No harbor in the United States has a more favorable geographical relation to the Canal than yours. With your rail lines to the North and branching out over the entire South-eastern Section, Mobile is a logical point for the concentration of export business, not only from the South, but from the entire Mississippi Valley, and for the distribution of imports over the same vast area.

Trade between the United States and Latin-American countries is steadily increasing. A large share of that trade with the West Indies and Central America is now moving through Mobile, and the gratifying success which has been attained by direct steamship service between Mobile and the ports of Argentina and Uruguay has shown what can be done in the development of traffic through the port of Mobile between the United States and the South American countries.

If the people of the South are to reap the maximum benefit from their favorable geographical relation to the Latin-American countries there is no time to be lost. The successful construction of the Panama Canal, where the great prestige of De Lesseps and of France had failed, is directing the attention of the Latin-American republics to their big sister of the North to a greater extent than ever before. It is a tremendous advertisement of the constructive genius of the American people.

Those of us who are engaged in trade, know that the American people construct other things besides canals, and that it is the other things which they have for sale. Our commercial instinct should not then suffer a good advertisement to be confined to glory. We, who live in, and work for, the South, can follow Uncle Sam's flag through the Canal without detriment either to our patriotism or our pocketbooks.

The present is the psychological time for our Southern merchants and manufacturers and for the people of our Southern ports to enter upon a practical campaign of trade expansion, not only in the markets that will be reached through the new waterway, but with all of the countries of Central and South America. The men who are first on the ground will have an immense advantage over those who wait until ships are actually passing through the Canal before making a move. Let us then take advantage of our geographical opportunity, and, as the phrase is, beat the Yankees to it. We have in the past given them what it is now the fashion to term "fair competition," and we should not now forget that our fathers taught us to fight intelligently as well as gallantly for the Southland.

If we are to reap the greatest benefits from the Canal and from the advantages which it has given us we should not only go after the Latin-American trade, but should do it intelligently. We should know exactly what the markets want; we should know just where in the South the goods that are in demand can be obtained, or may be manufactured; we should know just what each South American country has to sell which we in the South can use economically, and we should then seek to develop trade in both directions and secure its movement through our Southern ports.

Unquestionably the best way for a manufacturing concern in the South to build up an export business to the Latin-American countries is by sending its own representatives to those countries. Some of our farsighted manufacturers are doing this now, but the expense of such a campaign will perhaps deter many concerns without previous experience in foreign markets from making the effort on their own sole account. I believe, therefore, that some kind of co-operative effort will produce the best results. Because I believe that we in the South have here a great opportunity, and because the companies I represent are dedicated to the service of the Southern people, we have sought how we might capitalize this opportunity and I venture, as a result, to make a suggestion which, after consultation with experts in Latin-American trade, I believe to be practicable.

We suggest the formation of a co-operative association of Southern commercial organizations, Southern manufacturers, Southern merchants, and Southern railroads. This association should employ a highly qualified expert with broad and detailed knowledge of the markets of the Latin-American countries and of the products of those countries. He

should know the establishments in the South that are engaged in the manufacture of goods that the Latin-American people want. As to the lines not now manufactured in the South, he should know where they can be manufactured in the South, or lacking that, where in the United States they can be obtained for shipment through Southern ports. He should know the people in the South and in the territory accessible through Southern ports who want anything which is, or can be, produced in the Latin-American countries. Then, in addition to sending out circular letters as to trade opportunities, he should, by personal visits, acquaint each Southern manufacturer with the opportunities that exist for his particular line of goods and should advise consumers of Latin-American products where they can get them in our Southern territory and how they can be shipped through Southern ports. When a Southern manufacturer is found who wants to make an effort to introduce his goods in some particular South American market the expert should put him into relations with houses dealing in similar goods in that market, should translate his letters and circulars into Spanish, or into Portuguese for Brazil, see to it that all dimensions and weights are stated in the metric system, and give him instructions on the very important point of the method of packing desired for that particular market. This expert should alternate between visiting manufacturers and merchants in our Southern States and visiting the Latin-American markets. He should maintain relations with the diplomatic representatives of Latin-American countries in the United States and with commercial bodies in South America to enable him to obtain advance information relative to the special wants of the markets of their countries, as to prospective governmental or private purchases, and as to the letting of contracts for materials or construction.

I suggest the employment, in the first instance, of a single agent. It would be necessary, of course, for him to have clerical assistance, and, as the work developed, he would doubtless require one or more men with something of his own qualifications to work under his direction in the United States and in the Latin-American countries. If there shall be inaugurated a co-operative organization such as I have outlined or on somewhat similar lines, the office of which shall be to enable our Southern people to take advantage of our trade opportunities in South America, the Southern Railway Company and its associated companies will participate in it and contribute their fair proportion of its cost. I have the assurance of the Director of Consulates in the United States De-

partment of State that, in pursuance of the policy of the Department to aid in building up foreign trade, the consular force in the Latin-American countries will co-operate with such an organization and that, upon receipt of requests from prospective exporters, special official reports as to the markets for specific commodities in specific localities will be forthcoming from consular agents.

In anticipation of the completion of the Canal and of the demand for information relative to Latin-American trade, our companies have had made a special study and report on all phases of this subject. A man, who is perhaps better informed than any other in the United States on Latin-American trade in all its details, made a trip from Panama down the west coast of South America to Valparaiso, across to Buenos Ayres, and up the east coast. His report, which has recently been submitted to me, is full of valuable suggestion and this information is freely at the disposal of any one along our lines who is in any way interested in the subject.

Whether or not such an organization as I have proposed shall be perfected, our railway organization stands ready at all times to aid, in every way that we reasonably and properly can, every one along our lines who is seeking a wider market, and if any one who is interested in the opportunities for marketing any particular product in any Latin-American market will write to me, I shall be glad to make available to him, not only such information as we have in our own reports, but such additional information as may be obtained from the various government offices in Washington.

Direct and regular steamship service is essential to the largest development of ocean-borne commerce. Tramp steamers have their place where occasional full cargoes of a single commodity are to be moved, but, if passenger service and the movement of miscellaneous commodities is to be developed through any port, regular sailings by established lines are necessary. You have seen the effects of such service since the establishment of your line to the River Plate ports. The development of your trade with the west coast of Central and South America and with other Pacific ports may best be promoted if the opening of the Canal shall be followed by the inauguration of direct steamship service. This is another reason why, if you in Mobile are to reap the full benefit of the Canal, you should lose no time in perfecting your plans and getting them under way. Steamship owners are looking out for business, but they can not be expected to assume the risk of establishing lines without

some assurance of regular cargoes. However, business through the Canal will all be new; you will stand in the same relation toward it as all other ports of the United States, with the advantage of being nearer to it than most of them. If the Mobile Chamber of Commerce can show a reasonable expectation of the development of a profitable business, I believe I may confidently predict that you will have little difficulty in securing regular service. I can assure you that, on the inauguration of steamship service to Latin-America from any port served by the Southern Railway Company and its associated companies, our freight traffic organizations will do all in their power to secure shipments through that port.

The development of Latin-American trade will open a splendid field for the young men of the South and, in this connection, I can not emphasize too strongly the importance of training men especially for work in that field. This is a matter that I believe may well have renewed attention from those who administer the educational institutions of the South. I suggest for your consideration that the Chamber of Commerce of Mobile may do practical and helpful work in this matter by securing the inauguration, in the higher grades of your city schools, of a special course to fit young men to engage in business with South America. Such a curriculum will, of course, include the study of the Spanish and Portuguese languages, the history of the Latin-American countries and their commercial geography. Young men with an education along these lines are sure to find broadening opportunities for service to our Southern country, not only as traveling and resident representatives of Southern exporters in the Latin-American countries, but as managers of the export departments of Southern concerns which may enter this field.

One thing which I believe we should keep constantly in mind is that, while the opening of the Canal and the turning of the limelight of the world upon Central and South America is going to stimulate the development of those countries and enlarge their trade, we, in the United States, shall have to fight for every dollar's worth of business that we get. It will not come to us unsolicited. I am confident, however, that, with the commercial organizations, the manufacturers, merchants, and railroads of the South all pulling together we shall succeed.

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EXPORT TRADE

Address

by

James A. Farrell, President

United States Steel Corporation

At Annual Meeting of

Illinois Manufacturers' Association

at

Congress Hotel

Chicago, Ill.
December 3rd, 1913.

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EXPORT TRADE

Address

by

James A. Farrell, President
United States Steel Corporation

Chicago, Ill., December 3rd, 1913.

Mr. Chairman, Guests and Members of the Illinois Manufacturers' Association:

The Illinois Manufacturers' Association has given much intelligent study to all features of American export trade. Its members are devoting their best efforts to the extension of closer commercial relations between the United States of America and other nations. Its foreign trade Committee has interested itself actively in trade promotion, and as a commercial Association, you have attained an important position in the economic development of the United States.

Successful development of trade requires co-operation, and the progress of the world's civilization is no better exemplified than in the increasing inter-communication from year to year of the manufacturing with the consuming and producing countries. The organization and work of your Association, comprising, as it does, many of the most important industries of the country, is an assurance of what may be accomplished by collective effort.

As business enterprise is one of the most productive forms of development in the interest of a country's wealth and prosperity, it is important and proper that our Government should lend itself and the efforts of its representatives at home and abroad to the assistance and support of American business in every proper phase and outlet. In the development of markets and in acquiring a knowledge of conditions which would aid

American manufacturers in securing foreign trade, governmental agencies have rendered material and valuable assistance, and in collecting and disseminating information, and their efficiency in this respect is constantly increasing.

The notable speeches and plans of the Secretary of Commerce, Hon. Wm. C. Redfield, respecting the Government's efforts to assist our foreign trade, are significant of the attitude of our Government toward the foreign commerce of this country, which has grown to vast proportions during recent years; the total of our imports and exports for the fiscal year ending June 30th, 1913, being $4,278,862,383, with an excess of exports over imports of $652,905,915.

The fiscal year ending June 30th, 1876, showed an excess of exports over imports amounting to $79,643,481. Since that time up to the present, with the exception of three years, 1888, 1889, and 1893, our exports have shown a substantial excess over our imports; the highest being in 1908, when the excess amounted to $666,431,554.

The value of exports of merchandise from the United States to all foreign countries for the twelve months ending October 31st, 1913, was $2,533,570,882, showing an excess of exports over imports to the amount of $766,192,509. The corresponding figures for the twelve months ending October 31st, 1912, were $2,297,317,891, showing an excess of exports over imports amounting to $519,598,954.

The remarkable increase in the total figures can best be understood in connection with the significant fact that the proportion of manufactured products to the raw products exported is growing to a gratifying degree.

The character of the products which have entered into the vast total of our exports has materially changed during the last forty years. In the earlier periods, our exports consisted largely of foodstuffs and crude products, but during later years, our importance as a manufacturing nation has been increasing to such an extent that, out of total domestic

exports during the last fiscal year amounting to $2,428,000,000, our exports of domestic manufactures amounted to $1,187,000,000, or almost 49% of the total.

Although our foreign commerce, as represented by the totals of our imports and exports, has almost quadrupled during the last forty years, the relative increase in our exports of manufactures has been very much greater.

The large increase in the wealth of the country through the excess of exports over imports, during the last ten years at least, may be attributed to the enterprise and industry of our manufacturers, which has enabled them not only to maintain, but to increase, the value and volume of our exports, in spite of a steady decline in the quantity and value of foodstuffs and raw material, which prior to that time had formed the bulk of our exports.

Many of our manufacturers have recognized the advantages of foreign markets, and have been engaged for many years in building up an export trade; forming special organizations for the study and development of their export business, and the advantages which have accrued to them through an enlargement of their markets, have amply repaid them for their efforts.

European manufacturers have been engaged for many years in the development and exploitation of foreign markets, and our manufacturers should not be discouraged if their progress is slow in the beginning, since an export business, like any other, cannot be built up in a day, but requires years of constant effort and attention.

Quality, price, delivery, and terms of payment are just as essential factors in export as they are in domestic business. No permanent business in the world's market can be built up except on the fundamental principle of fair dealing, and it therefore follows that material supplied must not only be suitable to the markets, but of the highest quality commensurate with the price.

Confidence is the foundation of all business, and the confidence of people with whom we would deal in other countries, must be won with respect to the integrity of dealings, as well as of our wares, in order that we may obtain a portion of their trade from competing nations who have previously acquired it.

Selling of goods to foreign markets requires a knowledge of the purpose for which they will be used and of the consumer. The process of building up an export trade is beset with many difficulties, but close attention to detail and an intelligent study of the markets, their requirements, and their peoples, will eventually bring success.

Much has been written and spoken concerning subsidies for steamship lines, American banks, governmental policies, consular efforts and trade reports, all of which are important collaterally, but of little avail unless our wares can be produced and sold in competition with the producers of other nations.

England has a foreign trade per capita of $125, Germany $70, and the United States, $40. To European countries, export trade is a matter of vital importance, and in view of the ever-changing economic conditions which are taking place in our country, it is evident that a large export trade is, of necessity, bound up with its future prosperity. The United States must take her place even to a larger extent than heretofore among the world's nations as a factor in international trade.

The progress of American manufacturers in export trade is encouraging, and has been made in the face of many seemingly insurmountable difficulties. The development of the vast natural resources of this country has heretofore taxed the ingenuity and resourcefulness of our manufacturers in supplying the requirements of the home market. The great strides which we have made as a manufacturing nation, are causing us to look beyond our borders to find markets for our surplus manufactures, just as we found such markets in former years for our surplus foodstuffs and crude materials. In the future, our exports will largely consist of the products of factory and mill labor.

The advantage of immediate profit, or occasionally some loss in the sale of manufactured goods, should not be the controlling factor in the pioneer work in the earlier stages of development and organization. Establishing relations with customers, which result in continuity of trade and the ultimate placing of the business on a sound and profitable basis, is the essential element to be considered in building for the future, and it can be done with intelligent and far-seeing effort.

Commerce is an exchange of one product for another. If we can make goods cheaper or better than our competitors, we will obtain the trade. If our goods cost more, or are inferior, we will make little progress.

There is a popular misconception that the paramount factors in the export trade of foreign countries are due to their financial ramifications and shipping facilities; but the striking annual increase of our country's trade with foreign nations reflects the results of adapting our products to the requirements of oversea markets, of painstaking effort, and enterprise in competing with older manufacturing countries; of the knowledge our banking and manufacturing institutions are acquiring with respect to foreign opportunities; of the assistance that is being given by the Government and its consular representatives; of the increased efficiency of the productive establishments of this country, and the capacity of their officials for organization and commercial development.

The difficulties in conducting an export business are not insuperable, but it is essential to adapt ourselves to foreign trade customs; their prevailing systems of weights and measures; selling at prices and in the currency to which the buyer is accustomed; furnishing the goods that the buyers require, or educating them to a superior quality; packing and shipping in accordance with their instructions, to meet the special requirements of transportation, even though it involves radical departure from our customary methods.

The American manufacturer will continue to concentrate his efforts on process, cost of production, and adaptability of manufacturing to the

requirements of the markets, as well as to the offering of wares of peculiarly American origin and ingenuity. By their use of special machinery, their extraordinary facility of invention, experiment and improvements, American manufacturers are participating to a larger extent in the area of expansion in foreign commerce.

The large increase during recent years in the exports of manufactures reflects this adaptability and enterprise, and the equally large decreases in the exports of raw and semi-finished materials forshadow the desirability of continued effort along the line of manufactured exports, if we would continue to hold the theoretically favorable balance of trade.

This amounted in the fiscal year ended June 30th, 1913, to $653,000,000, our total exports of domestic merchandise being $2,428,500,000, of which crude foodstuffs amounted to but 7½%; foodstuffs, wholly or partially manufactured, about 13%; and manufactured goods $1,187,000,000, or about 49%; cotton and other crude materials for use in manufacturing making up the remainder.

It might be of interest to mention a few of the items constituting this 1,187 million dollars of exports of domestic manufactures:

Agricultural Implements	$ 40,572,352
Cars, Carriages, and other vehicles and parts of	54,585,888
Chemicals, drugs, dyes, etc	26,574,519
Copper, manufactures of	140,164,913
Cotton Manufactures	53,743,977
Explosives	5,267,566
Fibres, Vegetables, manufactures of	10,963,946
India Rubber, manufactures of	14,324,894
Iron and Steel Manufactures	304,605,797
Leather and manufactures of	63,893,351
Naval Stores	26,471,292
Oils, refined mineral	126,666,995
Paints, Pigments and Colors	7,681,938
Paper and manufactures of	21,779,303
Paraffine and Paraffine Wax	9,679,273

Soap	4,629,567
Wood Manufactures	111,253,125
Miscellaneous	161,141,764

The fact that exports for the last fiscal year exceeded by 258 million dollars in value exports for the preceding year, would seem to contradict the statements of those who would belittle the position of American manufacturers in obtaining footholds in markets where the older manufacturing nations have been well entrenched for decades.

For example, it has been stated that the exports of crude steel and iron products from the United States increased only from 1,154,000 to 1,533,000, or 33%, from 1901 to 1910; while Great Britain's had increased 43% and Germany's 480%: also that America was steadily losing prestige in the world's steel market.

As a matter of fact, Germany's exports during the period mentioned increased 215%, instead of 480%, while the export of tonnage classes of iron and steel from the United States has increased from 326,590 tons in 1903, to 2,947,596 tons in 1912, an increase of 900%.

The total value of exports of iron and steel increased from 99 million dollars in 1903 to 304 million dollars in 1912. The year 1903 is selected for comparison for the reason that it was only in 1904 that American iron and steel manufacturers commenced a systematic and concentrated development of foreign trade, efforts prior to that period having been of a sporadic character, contingent largely upon the existence or absence of sufficient domestic demand.

Comparisons that have been made with the exports of iron and steel for 1910 from the United States with the year 1900 are misleading, the latter being a year when export business was artificially stimulated by the acute necessity of American manufacturers for export business, and large quantities of both finished and semi-finished materials were sold in foreign markets at prices which, generally speaking, were unremunerative. The 326,000 tons exported in 1903 were valued at $20,452,000, whereas,

the 1,154,000 tons exported in 1900, i. e., over three times the quantity, were but twice the value, i. e. $42,518,000.

In considering the comparative value of the export steel business of the various manufacturing countries of the world, it is evident that aside from the standpoint of conservation and pecuniary results, business which is of the most highly finished character is more important than that which is based on exporting the cruder materials.

The exports of steel products of the United States Steel Corporation increased from approximately 291,000 tons in 1901, the year of its formation, to 2,280,778 tons in 1912—an increase of approximately 700%. This is mentioned since it has been claimed by some that there is an inaptitude on the part of large Corporations in the direction of efficiency and in the increasing of exports. The result referred to is a concrete illustration of the possibilities of developing foreign business through integrated organization.

As illustrative of the progress of the trade of the world in Iron and Steel products in the last five years, the following statistics of the total iron and steel exports of the United States, Great Britain and Germany, show the increase in the past five years in gross tons:

	United States	Great Britain	Germany
1908	964,242	4,299,508	3,676,888
1909	1,239,709	4,380,665	3,979,839
1910	1,537,952	4,735,734	4,791,599
1911	2,187,725	4,664,772	5,292,326
1912	2,947,596	4,628,000	5,856,000
% increase 1912 over 1908	—205%	8%	59%

While it has been generally conceded that export business is desirable and necessary to supplement domestic trade, some economists have insisted that such business should not be accepted at less than the domestic prices. No explanation, however, is offered as to the method of obtaining export business except at prices competitive with those of

foreign manufacturers. It is unnecessary to argue with any one who has a knowledge of the world's export trade, that American materials cannot be sold in foreign markets at other than competitive prices for like quality.

Despite initial preference for well-known foreign goods; the long-established brands, types, styles or kinds of foreign materials; despite close affiliations of foreign manufacturers antagonistic to new competitors in the field; despite foreign investments inducing preference for materials of the countries supplying the money; despite more extensive steamship facilities to the outports of the world to which our trade is not yet sufficient to obtain similar facilities; despite preferential duties accorded generally by the Colonies of European countries to their Mother countries; and despite lower costs of production, due to lower wage scales, American manufacturers have achieved noteworthy results in the upbuilding of their foreign trade.

For many years, a large number of American manufacturers have persistently contended against these obstacles, cultivating the buyers in the importing countries, until to-day their products have been introduced by thousands, the quality of American goods recognized, and business secured on competitive lines without concessions in price from those of older competitors.

The foreign field is open to any one who wishes to engage in it, and success is practically assured to those who give sufficient time and effort and who are willing patiently and energetically to combat the obstacles which in fact are, perhaps, no more serious than in other lines of endeavor.

It is, of course, necessary or desirable in the case of those attempting to export a few commodities, not of sufficient value to justify opening foreign offices, or sending special representatives abroad, to deal through competent and efficient merchant houses who have made a specialty of the export trade for many years. It is possible for these firms to build up a satisfactory and remunerative export trade if they employ experts familiar with the languages, customs and requirements of the markets to which they sell; and under usual conditions, assuming that reasonable

commission charges will be made, and the firm is thoroughly reliable, energetic and fully conversant with the special requirements of foreign markets, provided the work of the intermediary merchant is facilitated and augmented in every practical way by the expert knowledge and special information of the manufacturer.

The large industries in our country have for many years been building up their trade in foreign markets in an energetic manner along intelligent lines, and may be said to be the advance agents of American trade in all parts of the world. Smaller producers are reaping the advantage of this pioneer work through the better acquaintance of foreign consumers with American products and methods, and, speaking of the Iron and Steel Industry, the growth of its exports has been an increasing factor in the development of the trade of many collateral products.

The larger exporting interests consider that any increase, or expansion, of our foreign trade is a common growth and a common prosperity, irrespective of the class of goods, the size of the industry, the locality from which the business originates, or the port of clearance from which the products are shipped.

The expansion of export trade on the part of European countries has largely been due to the co-operation between the various commercial organizations for the promotion of trade relations with individual countries, the development of commercial organizations in Germany has done much to mold the economic position of that country. Over six hundred National Commercial organizations, with five thousand auxiliary branches, indicate the scope and activity which such a multiplicity of ramifications bear to the results obtained by concentrated effort.

In the export field, three of the parent organizations, with a membership of over 30,000 firms, exert their combined influence in fostering the export trade of Germany. What is true of Germany in this respect is also true of England, France, Belgium, Austro-Hungary, and other European nations.

There is a wide-spread belief in this country that Germany owes her position in exports to Governmental aid. This is only partially the case. It is the co-operation between the Government and her commercial organizations that counts in furthering the interests of the German Empire in the world's markets.

The Department of Commerce, through the Bureau of Corporations, purposes to undertake a study of the question of the economical efficiency of the large business organizations of the country, to ascertain among other things, to what extent their facilities have enabled them to make scientific inquiry into refined methods not possible to small business.

In this study, it will no doubt be found that the large companies are taking advantage of every opportunity to reduce costs of manufacture without reducing wages, and are improving their plants and processes to an extent enabling them to compete in the markets of the world, and maintain their position as exporters on a large scale, promoting the commercial interests of the United States in foreign countries through the influence of their large shipments, and through extension of the knowledge and experience with American manufactured products throughout the world; and by creating an exchange of values which is reflected in a favorable balance of trade involving hundreds of millions of dollars.

This research will no doubt demonstrate the utility of export trade in maintaining activity in American plants and mills; not only in times of depression, but in times of prosperity, as it has been clearly demonstrated that export trade, to be of value, must be continuous and not intermittent or occasional.

These plans of the Government are not only of intense interest to all American manufacturers from the practical standpoint, but particularly indicating the Government's interest in the business community, and their desire to co-operate with American business men, and foster and encourage their labors at home and abroad.

There is no more important work that the Government could undertake, and every American manufacturer will support the efforts of the

Secretary of Commerce and the Bureau of Corporations, and every other Department of the Government that is concerned (as they must all be concerned) with the interests of the American manufacturer, not only because of self-interest, but from patriotic motives.

While our chief foreign competitors are England, Germany, Belgium and France, Russia, Austro-Hungary and Italy, all of whom are largely dependent on their foreign trade, there are a number of other countries whose manufactures, as well as food products, are constantly gaining in volume of exports. In addition to the older manufacturing countries, the remarkable ingenuity and adaptability of the Japanese and the enormous population and latent possibilities of China, must be reckoned with in considering the future struggle for the trade of the world.

In the products manufactured by Japan, actual competition with her in Asiatic markets, on which her ambition is particularly concentrated, enables one to realize the extent of her activities. Japan, aside from shipping one-third of her exports to the United States, now dominates the trade of China in piece goods which formerly were largely obtained from Great Britain and America. Formerly, Japan exported raw materials, which they now buy and export in the form of manufactured goods, and are rapidly becoming like Russia—an increasing factor in the business economics of the world; Japan's exports having increased from $200,000,000 in 1908 to $263,000,009 in 1912.

In the study, therefore of the world's markets, it is necessary to consider from what countries the competition is predominant, as, for example,—the difficulty in selling American materials delivered at Black Sea ports in competition with plants located or contiguous to the Danube. In all cases, account must be taken, not only of the fundamental question of similar materials being made by domestic manufacturers in foreign countries at a lower labor cost, but their proximity to the markets in which they are selling, resulting in lower cost of delivery.

With respect to the question of shipping, trade follows the freight rate, and it must be apparent that without shipping facilities and reasonable freight rates to most markets, we could not have obtained the not

inconsiderable position which this country at present occupies in foreign markets. When these facilities have been insufficient, or the freight rates exhorbitant, it has usually happened that there have been found those who are sufficiently venturesome to establish new and competing steamship lines, to charter steamers, and otherwise encourage the movement of freight to any quarter of the globe.

We have been told for many years that careless packing and inattention to buyers' requirements, (stock arguments of those who have made a casual study of foreign markets) are militating against American success. It needs only reference to the statistics of the increase of our export trade during recent years, to refute the idea that seems to be prevailing that American manufacturers are lacking in sense, carefulness, and ability in these matters, whatever may have been the record in occasional cases years ago.

Those who are interested in pursuing this subject, might well devote some attention to the Appraisers' Stores at any of our American ports where foreign goods are received, and observe the condition of their packing, and then make comparison with statements regarding the condition in which American goods arrive in foreign ports. Exporters in all countries know the necessity of following instructions, and where unusual packing is required, the difference in cost is added to the price of the goods.

Further reflection on the subject of the possibility of export trade naturally lead to consideration of the effect of the Panama Canal. The completion of the Canal is one of the great engineering achievements of the world, and aside from its commercial possibilities, it is a National necessity. Opening the water-way through the Isthmus will shorten the distance from New York to San Francisco from 13,397 miles, by way of Cape Horn, to 5,208 miles, with a corresponding diminution in time and cost of the voyage.

The effect on the commerce of the world will be important, and much study has already been given to the changes consequent upon the shortening of the voyages of steamers to a large number of ports. One result not frequently mentioned is that, unless there is a remarkable

increase in the consumption of materials throughout the countries reached by way of the Canal, there must be, at least for a period, a readjustment in the number of vessels required, comparable to the lessened duration of the voyages.

Whether this will mean an increased supply of steamers available to shippers, and a consequent reduction in freight rates cannot be safely predicted, as it must depend upon the volume of commerce after the Canal is opened, but it must not be overlooked that, while the length of the voyage from American ports to the West Coast of South America, Australia, China, Japan, etc., and the Pacific Coast of the United States, will be materially lessened, there will be an equivalent lessening of time in most cases from foreign ports to the same destinations.

The arteries of ocean commerce will undergo an important change, and American manufacturers should study closely the questions of facilities through the lessened time of communication to the West Coast of South America and other markets, as affecting the exports of their particular products. It should be borne in mind that trade has to grow, and while the opening of the Canal will facilitate shipping, it will not of itself create at the outset new trade which must grow with the increase of population and its needs. Optimism concerning its facilities will arouse greater economic efforts on the part of countries adjacent to it.

Naturally, our geographical position points to the vast country lying to the South of us as one of the principal markets from which we should secure a portion of the trade commensurate with our position as one of the foremost producing nations, especially as these countries sell to us nearly twice as much as they buy from us. The possibilities of consumption of American products in these and neighboring markets has long been realized by our statesmen, as well as the leaders in the economic and commercial enterprises of our country.

It is a fallacy to believe that South America, or any of the civilized markets of the world, prefers cheap goods. With proper exploitation, demonstration of quality will win in the end against material that is solely attractive from the standpoint of price. A delusion has existed that the trade of the United States with foreign countries is carried on within

narrow limits; that we will not extend credits, and, in consequence, a large volume of trade goes to Europe which would come here, were we to grant credits of six to nine months.

In the great majority of cases, such credits are granted against acceptance of drafts with interest added for the accommodation, but probably the bulk of business of the best buyers is done against bank credits or cash against shipping documents. Where there is a substantial basis for credit, American manufacturers will not be found lacking in devising means to grant reasonable and proper accommodation. It will be invariably found that where extended credits are given, the seller charges an increased price, and buyers do not benefit to the extent which reasonably prompt payment entitles them to.

American manufacturers have been criticized for indifference to the need of credit on the part of their foreign customers, and their alleged lack of liberality contrasted with the more accommodating attitude of their European competitors. There is no indiscriminate granting of long credits to foreign buyers on the part of British, German, or other foreign exporters, and an experience extending over many years in competition with the world's producers, has failed to reveal that they are more willing or better prepared to grant long terms of credit to oversea buyers, than American manufacturers.

With regard to banking facilities, our manufacturers experience no difficulty in selling their drafts against shipments to any quarter of the globe. American bankers appear ready and willing to perform this service for as small a commission as foreign bankers.

Banks are institutions that follow trade, and eventually American bankers will establish American banks abroad, just as European banks have established branches, not for the mere purpose of buying and selling drafts, but for the purpose largely of participating in the development of the country in which they locate. The early history of German banks in Latin America and the Far East was one of continued failure. It

was only after they had solved the problem of doing a banking business in the country where they were established, rather than as merely acting as mediators of German trade, and began to finance industrial enterprises, railway construction, etc., in the land of their adoption, that they commenced to do a large business.

Speaking to men interested in manufactures and exports, it might be said that, as long as we have adequate facilities for discounting our drafts and elasticity in the acceptance of sound commercial paper, we may safely leave to the bankers the creation of American banks abroad, when they consider the time has arrived to establish banks for the transaction of American business in foreign countries.

The Illinois Manufacturers' Association will be performing a great work in the advancement of trade, peace and civilization, in promoting the interests of its manufacturers seeking export trade; for the good-will established by better acquaintance with foreign customers and satisfactory methods of dealing, must redound not only to the benefit of the individuals and firms interested, but to the prestige of the whole country.

The commercial world is watching our consular service and the efforts of our Government to keep this most important branch of our foreign representation on a merit and business basis. They will not forget that this service remains the one organized expression of our country in the stupendous economic contests which are now engaging the nations of the world in competition. The commercial interests of the United States should support and fortify in every possible manner the splendid work of the Secretary of Commerce, and other departments of the Govenrment, in their efforts to maintain and improve this branch of our Government service.

In the struggle for the trade of the world, the United States will occupy the place for which the bountiful resources of nature and the efficiency of the people have equipped her. The intelligence, enterprise, and co-operation of the people and Government will be applied to maintain and strengthen her position.

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INDUSTRIAL INDEPENDENCE

ADDRESS

OF

HON. WILLIAM C. REDFIELD

OF NEW YORK

BEFORE THE NATIONAL DEMOCRATIC CLUB
OF NEW YORK CITY, JANUARY 3, 1912

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ADDRESS

OF

HON. WILLIAM C. REDFIELD

BEFORE THE NATIONAL DEMOCRATIC CLUB, JANUARY 3, 1912.

INDUSTRIAL INDEPENDENCE.

"Just as in Alaska natives set up totem poles and worship spirits, and as in the Philippines the nipa huts are tightly closed to keep out the night-flying demons, so most American manufacturers have belonged to a sort of industrial Shut-in Society devoted largely to a cult of fears of things that are not so. Meanwhile, dreading the phantoms without, they have nurtured demons within. They have adopted and cultivated a mental attitude that has sterilized all initiative, and the fear of the ghosts that do not exist has deprived them of the vision to see and deal with the real demons who injure them.

"Two among the ghosts loom large in our industrial horizons. The first of these is called Rate of Wages. Dire evils are laid to his charge. Books have been written about him, and he has filled the mouths of orators in many places and through many years. What he has done to hold back our poor American industries has been vividly told. He is pictured in part as a handicap upon domestic trade, as part of the high cost of living, as the foe of export business, as a general and serious disturber, and to him is charged both the excessive cost of what we buy at home and of what some of us do not sell abroad.

"A second ghost is called Cost of Production. Most of us know very little about this ghost, but we talk of him volubly and tell how bad he is and how he is related by blood and behavior to the first ghost I have named. Men say how hard they have striven to control the influences of this evil spirit, and declare that only protection from some source stronger than themselves will keep them from serious injury at the hands of these phantoms. For phantoms both these ghosts are. Their dreadful names have hung like shadows over many a shop, but men who have faced them boldly have found they are not what they are thought to be; that instead of direful ghosts filled with possibilities of disaster, they are friendly spirits carrying much possibility of good, and offering harm only to those who do not understand how to treat them.

"But the demons within are real, many, and vigorous, four of them especially so. There is one demon called Waste, who is omnipresent. His brother is Ignorance, and they walk hand in hand through many a shop. Closely related is an evil spirit called Neglect, and the fourth member of the devilish group is Blindness. These baneful four are no dreams, but real destroyers. It is against them that protection is needed. Those strong men among our industries who have learned that the Rate of

Wages is a friendly spirit have found him powerful also in overcoming the demon called Waste, and just as with clear minds and fixed purpose they study into the true nature of the Rate of Wages and the Cost of Production do the demons of Neglect, Ignorance, and Blindness cease to trouble.

"In this brief preface I have tried to sketch the fundamentals of our industrial problem as it relates to the tariff. We have been too long ghost fearers and devil conservers. Let us face about, look firmly at the ghosts and squarely at the devils. The ghosts will be found helpful friends and the devils—

"Shall fold their tents like the Arabs,
And silently steal away."

"American manufacturers need tariff reform for certain definite, specific purposes. Among these are:

"1. To enlarge their mental and moral vision.

"2. To increase their efficiency.

"3. To teach them the gospel of self-help.

"I am tempted to add a fourth reason—to get rid of ghosts; but when the vision mental and moral shall have been enlarged and efficiency shall have been learned and self-help acquired, the ghosts will have gone.

"Our manufacturers need to have their mental vision enlarged, because ignorance is a limiting factor. It has always been true that 'a little knowledge is a dangerous thing.' They have been fed on untruths. It is not true, for example, that because a man is paid $3 per day his product necessarily costs more than that of a man paid $2 per day. It is not true that goods cost so much of necessity in an American shop that they can not meet foreign competition. It is not true that our industries would be injured, much less destroyed, by a reduction of the tariff wall. It is more true, far, that this very tariff wall is in danger of creating a sort of industrial "Paresis club." It is true that product is a far more important thing in cost than the rate of wage. It is true that direct labor cost is a small part of the total cost of making goods. It is true that the burden charge is often heavier than the direct labor charge; it is true that the selling expense is often heavier than the direct labor charge; it is true that when comparison is made between the rate of wage in America and the rate of wage abroad, such a comparison is meaningless and silly unless the rate of production and its conditions be stated. It is true that when the difference between the rate of wage at home and abroad is given it is a difference which relates to but a small part of the cost of making goods, and in no sense a major part. For example, if the somewhat mysterious synopsis of the report of the Tariff Board may be quoted, there is said to be a difference in labor cost in making yarn between England and the United States of 100 per cent; but this 100 per cent does not sound so large, even if it be always true, which I doubt, when the report shows that the total proportion of labor cost in making yarn is but 9¼ per cent, and the 100 per cent difference, therefore, is but a difference of 4⅝ per cent of the total cost of the yarn. Other plain truths are: The differences in cost between two American concerns in the same line are often greater than the difference in cost between a concern abroad and one at home in the same line. The difference in direct labor cost between a foreign and

a domestic concern in the same line may be entirely overcome by differences in the burden charge.

"I am told, and believe it to be true, that but few American manufacturers really know the cost of their goods, and but very few the cost of each operation in making their goods. An examiner for the Tariff Board told me that in 16 shops he visited they did not know what their goods cost and had no systematic, accurate way of finding out. One of the first and most beneficial results of the removal of artificial protection would be to make our manufacturers learn these facts, to enlarge their mental vision along the line of the old Jewish proverb, 'Physician, heal thyself.'

"But there would be a moral enlargement of vision also, for among our industrial shut-ins strange moral growths occur. For example, what think you of men in control of a large industry buying for their personal gain other factories whose product must be used by the larger one and then arranging to have the output of the one they own purchased at high prices by the other which they control? What think you of concerns employing men at large salaries whose duty in large part it is to copy as nearly as they dare patents having value which are submitted to them for purchase or of which they learn in order that they may themselves benefit by the inventor's skill without his profiting by it? Or what is your view of their using a department of patent law to protect them against the righteous claims of those whose property they have taken, and what of the morals of a large concern telling a small one that unless they cease suing them for the misuse of patents the little will be driven out of business by the big? Under the genial influence of a reduction of duties some of these processes would become too expensive and legitimate competition would at least offer a larger field for dealing with those whose sense of honor was higher and would open a broader market to the inventor.

"A reduction of tariff would increase the efficiency of the American manufacturer and therefore add to the profits of his business. The fetish of having to cut wages to keep cost down is dead or dying. Even the Tariff Board admits that. It is output that counts. An experienced manufacturer said to me a few days ago: 'The tariff kills initiative and raises the cost.' You have no doubt noticed that the cry as to the inefficiency of their labor comes from those industries that are most highly protected. Provide a profitable market for a manufacturer and why should he spur himself. Like the rest of us he will be as lazy as he dares, and if through the grace of law he may sell, as our wool men are said by the Tariff Board to do, at prices 67 per cent higher than those prevailing abroad, why should he strive to improve himself so long as it pays not to do so? While obsessed with the belief that high wages mean high labor cost and imbued with a conviction of his own helplessness, how can a man become efficient? For efficiency means keen self-criticism. It means to go out into the shop and find nothing there that is sacred or fixed. It means that in that shop six months ago shall be ancient history. It means the dropping of tradition, the forgetting of ghosts, the questioning of everything. It means the old Scripture doctrine, 'Prove all things, hold fast that which is good,' and only that. This means serious, constant, patient

study and toil, and it needs a spur to bring men to that labor. True, the men with vision in our industries, who have the sense of the industrial seer, and especially in those industries which have been less protected from the ghosts by law, have done this labor and have found it amazingly lucrative. Here note one vital but not obvious fact. What of the concerns whose names do not appear in our tariff fights.

"Has anyone thought to make a list of the houses that are silent on the tariff? Has it occurred to anyone that a reason for this silence may be that some of these houses feel so competent to meet any tariff situation that they are fearless about it? I have the best of reasons for thinking this is true of two large worsted manufacturers, and I know it is true of other concerns. They do not care to advertise the fact that by keener management, finer equipment, and better methods they are doing so well that the tariff is to them an indifferent thing, because, so to speak, they would put their competitors "onto the game." Look among the names of the manufacturers in our great industries who do not make Washington their Mecca and see what you find. Tariff reduction will bring to the American manufacturer everywhere that spur from legitimate competition which will make him criticize and study his own methods, which will force him to drive out the devils of ignorance, waste, neglect, and blindness.

"And with a larger and purer vision, and with higher efficiency, he will have gone far on the road to the third gain from tariff reduction, namely, he will have begun to learn self-help. And to substitute self-help for dependence, courage for fear, hope for doubt, manliness for cowardice, is the noble task in which the Democratic Party is engaged in its campaign for tariff reform. But self-help means more than anything we have yet said. It means, after doing all we have suggested, stopping the greatest waste in industry and utilizing the greatest force in industry, which waste is now sadly great and which force is too little used.

"Look at the elements in the cost of production—material, that is an inert, dead thing; selling expense, that produces nothing; burden charge, truly described by its name of a burden; labor cost, here you have the one productive element. Is it treated productively? Your building, your machinery, your material, these are investments. Your men—are their wages an investment or an expense? Look at the question squarely. Your whole industrial efficiency rests on the answer.

"If the wages of these men are an expense, then the less of it the better. If your men are an expense, then cutting wages becomes normal and proper. They rank like waste of any kind. They are a thing to be reduced to the lowest limit if you think that pays. But if the wages of these men are an investment, if this one productive element in industry has in the very fact of its productiveness something that separates it from all other kinds of cost, then it is worth conserving. For your investments you cultivate, you develop, you improve, you study their nature, you are deeply interested in their management, you wish them to be efficient, helpful, reliable, steady. Indeed, you look for a growing return from them. It pays to study investments. It does not pay to treat an investment contrary to the laws of the thing in which you invest. It is better,

cheaper, more profitable to work with the laws of your investment than against its laws. Self-help means a new outlook on labor for a manufacturer. It means that he has got to cease to profit by it and learn to profit with it. It means that the pay roll is an investment and not an expense, and a chasm of thought divides the two. It means that the old ghost of the rate of wages has turned into a friendly spirit that says to him, 'The more I grow, the larger I am, the more I should produce for you and yours'; and it says to the cost of production, 'The more I produce the smaller you get and the less influence you have.' It says to the man whose vision has been enlarged, 'Do not worry about your rate of wages; think, rather, of your rate of output; get rid of the devil of waste, stop the devil of neglect of your burden charges and blindness to the inefficiency of your equipment and ignorance of your handling expense. Drive out the devil of neglect of your own costs and blindness to your selling charges. Get rid of the things that don't produce and make the most, the utmost, of the one element in your shop that does produce, and above all things do nothing in blindness, ignorance, or neglect, or waste to cramp or antagonize or hamper the only productive element, the only responsive element in the cost of the goods you make.' And so the Democratic position is one that is not negative but affirmative, it is not destructive but constructive, it is in line with all the forces of uplift in our land. It is the gospel of hope and not of doubt, the gospel of courage and not of fear, the gospel of moderation and not of rashness, it is the teaching of that same self-help to our manufacturers which we try to cultivate in our children. It does not let 'I dare not wait upon I would,' but says 'you can.' It is the teaching of industrial freedom, a strong and not a weak faith.

"Let me close with the statement of certain truths which form at least a part of the Democratic declaration of industrial independence and which the Democratic Party believes to be evident.

"There is in the strict sense of language no such thing as the cost (meaning the fixed cost) of production, and the phrase as often used misleads.

"Since there is and can be no such thing as a fixed or uniform cost of producing an article, to base a fixed tax thereon is absurd and impossible.

"The nature of cost being variable, a tax actually based on such differences between cost in Europe and America as might be found to exist would vary constantly. If based on the cost records of an inefficient American shop it might at times be high; if based on best American practice it might not exist at all.

"The difference in cost between American shops in the same industry are as great as or greater than the average differences in cost between America and Europe. The same is to a degree true in each industry of Europe. The relations of these costs each to the other both within and without any industrial country constantly change. The statements, therefore, seriously made by some about basing a tariff on the differences in labor cost between this country and Europe are ridiculous. It would involve preferences in favor of one European country as against

another, and if it were to be maintained at the actual differences in cost, it would have to be adjusted frequently to meet changes in efficiency, methods, or invention in the various countries affected by it.

"A tariff based on the difference in the cost of production must, if it be correct, be a different tariff against every country producing like goods for costs in these countries vary. Not only so, but logic requires that a separate tariff be made against separate factories in so far as their costs differ.

"A tariff based on differences in cost of production is a logical and industrial absurdity.

"It is a normal thing that the most highly protected industries should be the most backward.

"The cost of labor is but a minor part of total cost and rarely the controlling element therein.

"The differences in wages between America and Europe affect but a small part of the total cost of manufacture, and is itself so modified by many other conditions affecting cost as to be valueless as a basis for argument.

"The chief controlling factor in production is the rate of output. Other factors therein are burden charge, selling expense, material cost, and lastly, and often least, labor cost. It may therefore pay, often does pay, to increase the wage rate to induce output and therefore to reduce the relative burden and selling charge.

"The reduction of the wage rate as a means of economy is the foolish resort of the inefficient and the ill-informed.

"Differences in cost may have no relation to labor. In A's shop where total cost is least, labor cost may be most. In B's shop where total cost is greatest, labor cost may be least.

"The possible saving in total cost through eliminating the element of waste in its many forms may amount to one-half even while the daily rate of wage will increase. Under these conditions, despite the increase in wage, the output may so enlarge that profits would be greatly increased even though selling prices were reduced to meet competition.

"The Republican Party undertakes to insure 'a reasonable profit' by law. A reasonable profit has never been defined nor its conditions made known. Such a profit may vary, that being reasonable in one place being unreasonable in another; that which is fair under some conditions would be unfair under others; that which is righteous in some industries would be unrighteous in others; that which is normal in some places, abnormal in others. What are the limits? Who is to decide what a reasonable profit is?

"The Democratic Party believes that the policy of a tariff for revenue only is not only a policy free from the logical absurdities of a tariff based upon the alleged cost of production, but that it is a policy which opens to our industries the way to development on normal and permanent lines where brains, character, and energy may work out their natural results to the profit of the manufacturer, to the advantage of the worker, and to the gain of the consumer.

"The Democratic Party would substitute industrial self-help for tarif protection. By this it does not mean rash, hasty, or even radical removals of existing duties, but reducing them

with moderation to a revenue basis. By self-help it means that our manufacturers shall exercise that constant and searching self-criticism into their own plans, methods, and management, which should mark every progressive producer, but which is little likely to exist, and has in many cases not existed, whereas by reason of the tariff a profit has been assured by law. But self-help in industry means more than this. It means replacing doubt with hope and fear with courage. Protection is the gospel of security for the incompetent and inefficient at the national cost. Self-help is the gospel of competence and efficiency to the general gain. But self-help means yet more. It means an altered attitude on the part of manufacturers toward labor. It means the spirit of cooperation between employer and his workman. It means a recognition of the law that a well-paid and well-treated employee is the cheapest producer. It means a true industrial democracy in which owner, workmen, and consumer pull together with greater profit to the first, larger wages with shorter hours and less strenuous labor for the second, and lower prices for the third. This is the aim and the outcome of industrial self-help. It is a teaching opposed to all narrow selfishness, hostile to much of our accepted business economy, but it is in fundamental accord with the laws of human nature and with enlightened self-interest on the part of all dependent on our industries."

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SOME PHASES OF THE BUSINESS OUTLOOK

AN ADDRESS

BY

HON. WILLIAM C. REDFIELD
OF NEW YORK

BEFORE THE BUSINESS MEN'S CLUB OF
CINCINNATI, OHIO, FEBRUARY 10, 1912

(Printed in the Congressional Record April 9, 1912)

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ADDRESS

OF

HON. WILLIAM C. REDFIELD.

"In speaking to a fellow Member of the House of Representatives a few days ago of what I reckon to be the great commercial value of the Philippines, he, being one of those minded to get rid of those islands as quick as possible, was kind enough to say to me that he preferred 'principle rather than pelf.' Before this body of business men I wish emphatically to protest against the idea which prevails too much to-day—that the business world is largely a world of plunder. Not that any responsible group of men quite venture to affirm this to be so, but that their actions and their words almost or quite assume it as a basis. Certainly a friendly ear is not always turned to the requests of the business community, and the sensitiveness of credit seems often to be unknown. It is true that the selfishness of some has reflected to a degree upon us all, but for that reason it is more necessary to affirm, as I now do, that the business men of America are, with rare exceptions, upright and high-minded men, respecting the rights of others, conscious of their duties to their fellows, seeking prosperity through service rather than through selfishness, and with personal consciences never so active and with public ideals never so high as to-day. Commerce is the ally of uplift and develops, not destroys. And this great club of 1,600 members is a witness that you as business men meet with open minds; each willing to learn from the other; each glad to give from his knowledge to the other. Therefore it is a special pleasure to talk with you over some of the common problems of our daily work.

"And this daily task of ours is a far more complex thing than it once was. Our business life touches now questions of public policy, questions of human interest, matters of social uplift. Others claim the right to supervise and guide our business af-

fairs as never before, and a righteous and watchful public opinion requires us in some degree to be our brothers' keepers whether we will or will not. Commercial life is difficult enough without what an editor has recently called "the ebullitions of parochial statesmen" to add to our many cares. Never was sanity and sobriety of public thought more needed than to-day.

"Let us select from the many problems that press on our thought one that is new and growing, and consider it briefly, both as it is in itself and in relation to some of our other problems. Many of us as children were taught that our isolation on this continent, separated by broad oceans from the older worlds, was a great benefit, and we grew up, perhaps, with the idea that we were sufficient unto ourselves. But as we have become older new facts have forced these provincial views to the rear and now we face another outlook. For years we have known that the farmers and the millers of the Central and Western States have depended largely on foreign markets for their very living. It would have gone hard with Minnesota and Dakota and other States in the past if England had not needed food. But you and I had no sooner become accustomed to the idea that we were a great food-exporting nation than the picture changed. Wheat and flour no longer reign in our export trade, and our manufactures have taken their place. Had one come here to Cincinnati 20 years ago to say then that in 1912 we should be selling a thousand million dollars per annum of manufactured goods abroad I fear that even this progressive city would have heard with doubting ears; and yet this change has come about, and not only are we exporting of our manufactures to this extent, but the proportion grows. It is now over 45 per cent of our total exports, while foods of all kinds have sunk to 18 per cent. This great change, whereby the output of our shops has taken the place of the products of our farms, has gone on so quietly that now we realize it almost with a shock. It runs counter to very much that we have accepted as solid beliefs hitherto. I seem to recall, I am sure you have heard, that there were men who once said we needed a high tariff wall to keep us from the invasion of the products of the pauper labor of Europe, but now all of a sudden, as it seems, we from the

in our continental area we rejoice over an export trade of manufactures of a thousand millions, being 5 per cent of our total product of manufactures, may not the Englishman be justly proud that in 1909 he sent abroad from his contracted and 'tight little island' fifteen hundred millions in value of manufactures, or over 78 per cent of his total exports? Indeed, only so recently as 1907 his foreign sales of manufactures were over seventeen hundred millions, being 80 per cent of his foreign trade, and the best estimate available is that the United Kingdom exports its manufactures in the proportion of one to five, being a percentage of manufactured exports of more than three times our own. This solid trade rests upon a substantial base of the greatest mass of free capital in the world and upon a banking system as free and flexible as the air and as universal, and upon control of shipping that places the products of English mills wherever the English seller wills them to go, by lines controlled in his own interests. Thus, briefly, I have sketched the trinity of great competitors beyond our tariff wall. There are others, but Great Britain, Germany, and we are 'the big three.' We must stay there or shut down our shops. We have gone out into the world because we must. The product of our mills and our men and our minds has grown so large that it has burst through territorial and traditional lines. Even while we have sought protection from others, those very others have become our customers.

"For many years the great expanse of our own land and the demands of its increasing people gave our shops sufficient to do. As time went on our shops waxed large and their output grew larger, till one day we found, some of us, that we were making that which we could not sell at home. Looking over the edge of the wall we found people there who liked what we had to sell and were willing to pay for it. We sold it to them; we found the habit pleasant, and the habit has grown. But observe that the foreign market has been the normal outgrowth of a domestic market; that one is not antagonistic or abnormal to the other, but the natural and fit supplement to it. Just so it is abroad. England's great internal trade is the basis on

which her foreign trade rests, and the export trade of Germany is the outcome of her great domestic commerce. They, indeed, approach the export market on a basis more like necessity than we, for our domestic demand is enormously greater than theirs, and yet there are shops in America that would not run full time to-day were they to lose their export trade. Our foreign trade is also a safety valve that relieves the pressure of overproduction at home.

"So, almost without knowing it, we have become one of the three greatest factors in the world's commerce in manufactures, and the door of a golden opportunity has swung wide open. If, like the Senator of a few years past, one were to ask, 'What have we to do with abroad?' the answer would be, 'We have everything to do with abroad.' Let us therefore ask ourselves frankly, What shall we do with this opportunity? That depends on what it means to us. Are times ever slack in Cincinnati? Are there days when the shop superintendents more than catch up with the sales managers, when the wail of the salesman is heard in the land and the leaves of the order book are unfilled? Do there come weeks of part time and of men laid off, with sad homes to which to go, since there is no work to sustain them? Have there been anxious hours when costs were great because output could not be made sufficient in the market that was available to distribute the burden charge widely enough to make things pay? Perhaps you have known what it means to have a plant made for production lie idle, eating its head off. Perhaps there is some product you could cheaply make but which your particular market did not want. Perhaps there was some by-product that could be made if you knew where it could be sold. For these and similar ills the door of opportunity that lies open affords a remedy. Out there beyond the wall are many men of many minds, some of whom will like what you make, or will take what you would make if you could sell it, or who can use enough of your present product to add to the output of to-day that which shall make the whole cost less per unit. Suppose we all go out into the larger world and try as others have done. You of Cincinnati are not less clever than

those of Detroit. A thousand automobiles monthly go thence abroad, and Detroit prospers. I have seen the products of Dayton in many lands. Indeed, I found products of Cincinnati on the other side of the globe.

"But when we get beyond the 3-mile limit you and I will not find it all plain sailing. There are some troubled waters on that business sea, and our craft will need steering just as it does at home. Toy boats do not navigate those waters. The German and the Englishman are not easily beaten on their own ground, and they have hitherto had to help them certain of our own domestic ghosts. It is strange that so practical a people as we should be ghost worshippers, but we have been, and some of us still are. One ghost, called the 'Rate of wages,' has long stalked about on top of the tariff wall and scared us with his ferocious visage. He has a fellow ghost called the 'Cost of production.' While we, fearful of these specters, have many of us feared to cross the wall, the Englishman and the German have fattened and grown rich, somewhat at our expense. If you and I will follow those bolder spirits among us who have faced these ghosts and dealt at first hand with them, we shall find, as others have, that they turn out not to be so bad; indeed, the ghost called the 'Rate of wages,' when you treat him well and give him a square deal, is a kindly spirit, and just as you come to understand him the other ghost, called the 'Cost of production,' retreats and becomes harmless. Indeed, it is not far wrong to say that foreign trade is based on a state of mind. The trouble has been that we have worried a lot about these ghosts and have not been troubled as much as we ought to have been about certain real vigorous devils. A good cartoonist could make a rather clever picture of some American manufacturers. He could picture them sitting behind their tariff wall—a sort of industrial shut-in society—looking up at the ghosts at the top of the wall, wanting to get over the wall but afraid of the ghosts, while behind them in their own shops rage unnoticed and unhindered rampant devils of waste, neglect, and inefficiency. So our getting over the wall and finding it possible to stay on the other side profitably, along with our friends, the English and the

Germans, comes back after all to our own shops and to the problems in them with which we have to deal.

"The trouble with us is that we have always seen the ghosts on the wall, but the devils have been invisible. Let us go hunt for them now, and to find them quickly let us look right within ourselves. If there is a devil of blindness about our shops, the chances are that you and I have been blinded by him. If there is a devil of neglect about our plant, the chances are that it is you and I who have been neglectful. If the demon called 'Inefficiency' hovers about our works, the probability is that you and I are in his grip. If the evil spirit of waste is about, the chances are that he is there with our unconscious consent. So the first thing to do, my fellow business men, to get into the pleasant lands beyond the wall is to become our own severest critics and to follow out the old brief proverb, 'Man, know thyself.' Do you want export trade? Do you want to know how to get it and keep it against the German and Englishman? Then begin in your own shop here in Cincinnati, and begin first of all with yourself. This is, perhaps, not pleasant doctrine, but it is a fruitful one. Shortly ago a friend was called by a large concern to reorganize it on a scientific basis. When he presented his plan the manager was mad. He said to my friend, 'I hired you to prepare a plan showing me how to work the men in the shop, and you begin with a plan which tells me how to work myself,' and he would have none of it. There have been a number of cases where economy was prohibited because it commenced with the management. We do not say, of course, that we know it all, but we merely think competent teachers are scarce. I recall one case where the owner was very proud of a machine shop, which in certain respects was working at one-eightieth of its full capacity. It is not long since the owner of a large plant told me that while no doubt inspection would develop in his shops certain faults here and there, he was sure nothing could be done which would seriously improve his way of working. The devils had him hard and fast. On the contrary, I recall a man who at the end of 20 years was vividly conscious of the things he did not know about his own business.

He said that he could never afford to be satisfied with his way, because when he was satisfied he knew he would need the Lord to help him, because he would then have ceased to help himself.

"There is a great plant in the East which sends out its foremen, at the company's expense, many times a year, both into America and into Europe, just to see what they can learn. The truth is, a modern shop must be more or less of a schoolhouse, and in it the manager must be one of the pupils. One of the examiners for the Tariff Board, in its recent investigations of Schedule K, told me that he visited 16 shops in an industry collateral to the woolen and worsted trade. I asked him if in any of the shops he visited the owners and managers knew what their goods cost them. He said they thought they did, but that they did not, and it had been his duty in several cases to show them why and to what extent they were mistaken. Naturally, to the next question, Did any of these shops have an accurate system of cost keeping? he replied in the negative. The devils of which I have spoken were having it all their own way in this trade. Seriously, gentlemen, then, conceiving that export trade is desirable, necessary, and possible, the first way to get it is to begin in your own shops at home. From a somewhat long experience at home and abroad I have never yet found a shop where, if the devils I have mentioned were driven out and in their place the mighty spirit of "self-help" was installed, the ghosts gave any more trouble. So let us all go into our own shops and forget our traditions and throw our fetishes away. Turn the clear light of truth and honest inquiry on ourselves. Let us recall that nothing is good because we do it, and no method is desirable because we have been in the habit of doing things that way. Let us, so to speak, stand outside ourselves and look at ourselves and test our ways, whether they be good or not. If we will do this with an open mind and sincere vision, the result will surprise the best of us. Not in Washington, nor in the customs, but within ourselves, is the best protection found.

"We shall find that this self-study will bring some things into new relations. It should teach us, for example, that in

dealing with the four elements in cost—material, burden, selling expense, and labor—there is most ample opportunity for brains in the study of the first three. We shall be likely to find that the study of the burden charge by itself can be made continuously profitable. More than one goodly business ship has gone to wreck on this rock. The ratio of selling expense to output and its adaptation to possible prices will afford food for sober and patient thought. Both these subjects remind me of what Edward Atkinson used to say about the need for fire pails in factories. His ruling was, 'Put in all the fire pails for which you have room, then put in some more.' Deal this way with your burden and selling charges. Back up your purchasing agent now and then with some original reflections of your own on the subject of material and supplies. All this is a man's job, and when with effort and pain you have gotten these three down to a safe and sane point from which, through years to come, you can still further steadily reduce them, then see what the spirit of 'self-help' says to you about the last and the minor element in cost, namely—labor. Now of all the four parts of costs, labor is the only one that is alive. Material is dead stuff. Our burden charge is clearly a dead load. Our selling expense we aim to kill, and let us hope we shall reduce it to a corpse of proper size. But the one living element in production, the one part of cost having real vitality, is labor, and that is very much alive. Because it is alive it may be responsive, and by the same token it may be obstructive. It is the greatest force in industry; the only living force, too often a wasted force, too rarely a force used as we use an engine—reciprocally. Let us think of this a bit with candid and open minds.

"You and I are very careful about buying a machine. You here who make the machines for which Cincinnati is famous are very careful that the machines you sell are adapted for their special use. You advertise them as such and your customer buys them solely because they are adapted to the service he requires from them. When they get them under your instructions they are treated with great care. They are not over-

strained, for you and your customer know something about the fatigue of metals. They are not overheated. What would you do with the foreman that often allowed bearings to get overheated? They are kept free from dust; you put in exhaust systems to take the dust out from where it will do harm to a machine. They are most carefully lubricated, and you do not let moisture come where it will do them harm. In brief, that machine, being a valuable investment, is treated according to the laws of its nature, and you carefully learn those laws and obey them because it pays. So with your material. That is especially adapted to the use to which it is to be put and you are careful not to waste it or to use for one purpose that material which is better adapted to another. This also, therefore, is utilized in your shop according to the laws of its nature. Your buildings, your transmission appliances, your power plant, your light, your arrangement, and all the complex apparatus that makes the unit you call your plant, are carefully arranged, each element fitted to its particular service so as to be most efficient, so as to require the least of maintenance cost and the smallest repair outlay. How now about your men? Is the same careful process of selection applied to them? You do not use a lathe for screw-machine work. Are your men adapted or trained to their special task with the same precision? Your industrial history shows that you do not hesitate to pay largely for an efficient machine. Are you as willing to pay largely for an efficient man? Is the same strict care given to the conditions that human nature requires for its best work that is given to the conditions which mechanical nature requires for its best work? Have you carefully avoided the obstructive element in this living part of production, and are you and I as carefully cultivating the responsive element in it? When the spirit of 'self-help' controls us all and we have driven the devils out of our shops, we shall come to understand, you and I, that in the responsive power of our working force lies the mightiest element in production. One that may make the difference between loss and profit, between peace and war. I have known a shop in which there never was put upon the stationery any-

thing to the effect that contingent delays due to strikes were not matters for which the house was liable, but where it was quite the custom to send the bills out for less than the price at which the goods were sold because the high efficiency of a responsive working force had made them cost less than was expected.

"But some one will say labor makes mistakes, makes unreasonable demands. Doubtless. But are you and I like the sheriff of Nottingham who—

> Never yet had made a mistake
> Would like to for variety's sake?

"And when it comes to being unreasonable, why, let him that is without sin among us cast the first stone. As I look into my own mind and heart I can not begin heaving rocks on this basis. Can you?

"We need export trade for a proper and steady balance to our home business; and to keep our costs down by holding our product up. Our two great foreign competitors have many advantages of position, wealth, experience, and knowledge. We have chiefly to rely on the alertness and initiative of ourselves and our workmen. It is of the very essence of our safety that we pull together, a united force in every shop, hands and brains in unison to the common and growing profit, to the larger wage, to the lower cost and the lessened price. Gentlemen, your domestic business needs to feel the throbbing pulse of the larger world of foreign commerce. 'One must be done, the other not left undone.' Stability in home markets depends largely on ability in foreign ones. But the larger life is not entered, the door of opportunity is not passed by standing pat any more than it is by joining a club or an export association, good as these are. Fighters in the world's arena must lay aside every weight and the habits of thought and traditions that so easily beset them, and with keen self-training address themselves to the contest. The world is said to grow through its discontent and your trade will grow on your own self-discontent with every present standard and method. The place for narrow men is in ruts; for dead men in graves. The big world calls for big men, large in

outlook, broad in view, keen enough to see that economy lies not so much in saving as in wise expenditure.

"Industrial education has here in your noble city made great strides that have brought you deserved honor, but there are two kinds of industrial education—that of the hand and brain within the shop; that of the heart and brain within the office. I plead for both, for these two are one. One need not speak for any method of management. These are many, of varied and different merit. But for one great, broad, generous, and efficient spirit of management I may fairly plead. One that shall be intolerant of waste of all kinds and to which neglect shall be a sin. One that shall set high standards of efficiency but equally high ones of sympathy. One that shall be large enough to see that with proper equipment and wise direction the well-paid man is the cheapest producer. One that shall slay the spirit of gaining through gouge and shall bring to life the spirit of success through service.

"Does this seem practical to your minds? If not, let us reduce it to details. Never give up self-study. There will always be something to learn about your ways. 'The goblins they will get you if you don't watch out.'

"Don't let your initiative get sterilized by a tariff or anything else. This may be as a friend says it is—'grossly inferential,' but it is true nevertheless.

"It is not wise to sterilize the initiative of your working force by looking so hard at a quarter yourself that you can't see the five-dollar bill beyond.

"A justly discontented force can cost you more directly and indirectly than the most expert and costly supervision can ever find out.

"The cheapest and most efficient discipline is that which a well-paid, hopeful, and zealous working force naturally create.

"The cutting of piecework rates and wages is the hall-mark of inefficient management.

"Obsolete machinery is the foe of profits, the brother of high cost, and the friend of bad methods.

"A Bourbon superintendent who can't learn is as bad and no worse than a Bourbon employer who won't learn.

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"Export trade begins at home, in your own shop, and first with the head of it. To get it bring your wages and output up—your costs and prices down; know what is doing in your own plant and you can smile at a competing world.

"When you have good stuff to sell, well and cheaply made, properly designed, and of regular quality, well packed, you will have no trouble to sell it abroad. What one country or market won't take another will. It's a large world. Export trade is not an 'easy snap,' but it is a necessary filler. Our shops are built to run, to produce, and the money of Argentina will buy bread and cheese in Cincinnati.

"When things are dull at home, why cut off our earnings at the root? A large market is better than a little one. The balanced demand of all the earth is steadier than the needs of any one country, however large. There is room in many lands to do what is not now done at all, or to do better what is now ill done.

"Finally, gentlemen, I have not sought to deal with details but with essentials, and the most essential thing in our shop is, or ought to be, ourselves. Therefore I have tried plainly to speak to you of our own needs for self-help—the same thing in our industrial life that we teach our children in our private lives. Let us therefore lay down certain laws for ourselves:

"A thing is not right because we do it.

"A method is not good because we use it.

"Equipment is not the best because we own it.

"The wisest of us has much to learn.

"None of us can afford to be deceived about our own affairs.

"It is better by self-criticism to find and correct our own faults than to have our customers do it for us.

"It is a sound law of the business world—'To thine own self be true and it shall follow as the night the day: Thou canst not then be false to any man.'

"And I end as I began. To get by the law of gouge and grasp is not true commerce. Against that law our enlightened business sense protests, and with equal force it protests against the wicked assumption that our business men are in any large part under the control of the law of gouge and grasp.

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"Commerce is service, the friend of the worker, the servant of the consumer. I venture a protest against the spirit of attack that far too much prevails. Criticism should be a sane and sober process. This is not found in that tyrannous type of mind that involves those who disagree with it in torrents of common abuse and denunciation. All are not wicked at whom mud is thrown, and righteousness is not advanced by evil means. We believe in progress; it is a law of business to do so. But we believe also in moderation and base our hopes for the future on moderate progressiveness and on progressive moderation, in public as well as in business affairs."

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IN THE

COURT OF PUBLIC OPINION

In the Matter of

Application of EDWIN A. KRAUTHOFF, of Kansas City, Missouri, for appointment as a Member of the Federal Trade Commission, created by Act of Congress, approved September 26, 1914.

BRIEF IN SUPPORT OF APPLICATION.

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FOREWORD.

The passage of Federal Trade Commission Act, in effect September 26, 1914, marks a distinct advance in governmental policy. Heretofore, it has been attempted to regulate and prohibit combinations alleged to be in restraint of interstate trade in one of two methods: Either by proceedings of an injunctive or a criminal nature. In the former, not until after protracted and expensive litigation were business men advised of what they might lawfully do. Such litigation often eventuated in opinions by a divided court, as for instance, in *United States* v. *Terminal Railroad Association of St. Louis,* 224 U. S. 383, 391, on the first hearing (four circuit judges sitting) the court was equally divided in opinion; in *United States* v. *International Harvester Co.,* 214 Fed. 987, three circuit judges sitting, one dissented from the views of the majority; in *State ex inf. Standard Oil Co.,* 218 Mo. 1, 465, one judge dissented and one filed a separate opinion, on rehearing, the writer of the principal opinion filed a separate opinion, and afterward the court recanted and entered an entirely different decree, 251 Mo. 271 (that suit was instituted March 29, 1905, 218 Mo. 35, final decree June 28, 1913, 251 Mo. 271).

In the instance of criminal proceedings, men who from their point of view were endeavoring in good faith to engage in business, found themselves, after acting upon the advice of counsel, stained with the brand of an indictment and subjected to the possibility of fine and imprisonment. The result of it all is that business is hindered and retarded. Men hesitate to do things which may be right, because they fear they may be doing wrong. As to the men who dare, often illegal combinations grow unchecked, producing great harm and injury to the welfare of the people.

In a letter from President Wilson to Mr. Underwood, of date October 17, 1914, the President said: "With a similar purpose and in a like temper, (that is,

with courage, sincerity and effectiveness) the Congress has sought, in the Trade-Commission bill and in the Clayton bill, to make men in a small way of business as free to succeed as men in a big way, and to kill monopoly in the seed. * * * With this new legislation there is clear and sufficient law to check and destroy the noxious growth in its infancy. Monopolies are built up by unfair methods of competition, and the new Trade Commission has power to forbid and prevent unfair competition, whether upon a big scale or upon a little; whether just begun or grown old and formidable."

It is apparent from a study of the subject that it was the intention of Congress to prevent combinations *in restraint of trade,* it was not trade, but the restraint thereof, which was sought to be prevented. Hence, the spirit of the law should be made manifest, a law should not be so construed as itself to be in restraint of trade. The people have long wished for the enactment of a law whereby business men could, with safety, proceed along approved lines and be free to extend their sphere of activities without fear of legal complications.

It is especially important that the Commission be actuated with the spirit which prompted Mansfield to crystallize into rules of law, correct principles of business practice, and Marshall to make of the Constitution a thing of life.

It has been my constant effort, in my contact with business men and problems of a commercial nature to demonstrate the growth of law, to realize that law is made for people, not people for the law, that law is a means to an end, and that end is harmony and efficiency, and that the law of a country is the welfare of a people being revealed in rules of action.

EDWIN A. KRAUTHOFF.

In the Matter of

Application of EDWIN A. KRAUTHOFF, of Kansas City, Missouri, for appointment as a Member of the Federal Trade Commission, created by Act of Congress, approved September 26, 1914.

BRIEF IN SUPPORT OF APPLICATION.

EDWIN A. KRAUTHOFF, Attorney at Law, Kansas City, Missouri, is presenting his name to the President of the United States for appointment as a member of the Commission created by the Federal Trade Commission Act. Hereinafter, will be found an analysis of this Act, and a complete copy of the same.

Mr. Krauthoff was born at the City of Jefferson, Mo., May 26, 1869. Prior to September, 1886, he had a commercial experience extending over a period of nearly four years.

In the month named, he entered the study of law in the office of Smith, Silver & Brown, in the City of Jefferson, Mo. Of that firm, Jackson L. Smith was formerly Attorney General of Missouri and afterwards Judge of the Kansas City Court of Appeals. Frank M. Brown at the time was Reporter of the Supreme Court of Missouri. Mr. Krauthoff assisted Mr. Brown in his work and during his connection with this firm became Secretary of two building and loan associations.

In January, 1890, Mr. Krauthoff moved to Kansas City, Mo., and was for nine years associated with the firm of Karnes, Holmes & Krauthoff, composed of Joseph V. C. Karnes, Daniel B. Holmes and Louis C.

Krauthoff. While connected with this firm, Mr. Krauthoff became familiar with the broader questions of corporate organization. The firm named acted as counsel for the Kansas City Board of Trade, Kansas City Live Stock Exchange, was active in the adjustment of the difficulties between Kansas City and the National Water Works Company, and in plans involving the financing of the Street Railway System of Kansas City, Mo. The firm represented as counsel many prominent business houses of Kansas City, Mo., and was prominent in all matters of a public nature.

In January, 1899, Mr. Alexander New and Mr. Krauthoff organized the law firm of New & Krauthoff. This firm, with its large force of associates, has succeeded to a portion of the practice of Karnes, Holmes & Krauthoff, and in addition, Mr. Krauthoff has personally devoted himself to the solution of problems growing out of relations of a business nature, particularly with respect to the extension of credit, the adjustment of business difficulties, and the practice of law in courts of bankruptcy.

Mr. Krauthoff, growing out of his early life at a State capital, has become familiar with the technique of legislation. Has served twice as chairman of the Legislative Committee of the Missouri Bar Association, once by appointment of Mr. Frederick N. Judson of St. Louis, Mo., and once by appointment of Mr. John W. Halliburton, of Carthage, Mo. He has served three times as chairman of the Legislative Committee of the Kansas City Bar Association. He has been twice appointed a member of the National Conference of the Commissioners on Uniform State Laws, once by Governor Herbert S. Hadley, and once by Governor Elliot W. Major.

Since the year 1907, he has devoted much time to the preparation of an amendment to the Constitution of Missouri, regulating the structure of and practice in appellate courts. The amendment prepared by him was approved at a meeting of the Bar of St. Louis, held in May, 1910, and also by the Missouri Bar Association in July, 1910. In July, 1913, the plan was reformed, eliminating details, leaving those to the legislature, and as thus changed, was approved by the Missouri Bar Association.

In June, 1914, this plan was presented to the Missouri Code Commission, consisting of fifteen lawyers appointed by Governor Major, and at a meeting where thirteen of the Commission were present, the plan was approved. Afterward, the Commission again considered the matter at a meeting at which nine of those attending the former meeting were present, and these nine unanimously adhered to their former conclusion upon the subject

Mr. Krauthoff was admitted to the bar at the age of twenty, argued a case in the Supreme Court of Missouri at the age of twenty-three, and at the age of twenty-six appeared before Mr. Justice Brewer, sitting at Circuit, at a hearing wherein such lawyers as Mr. Moorefield Storey, Mr. William B. Hornblower and Mr. Frank Hagerman were appearing as counsel. The part Mr. Krauthoff played on this occasion was negligible, but it afforded him an opportunity at first hand of seeing great lawyers in action.

In the year 1902, Mr. Krauthoff was elected Secretary of the Kansas City Association of Credit Men, and while serving in that capacity attended conventions of the National Association of Credit Men at Louisville, St. Louis, New York, and Memphis. At the Louisville Convention he served on the Committee on Resolutions. At the New York Convention he addressed the banquet on "The Relation of the Credit Man to the Lawyer." He has appeared before Credit Men's Associations at St. Louis, St. Joseph and Kansas City, and assisted before the Legislatures of Missouri and Kansas in the presentation of the Bulk Sales Law.

In 1899, Mr. Krauthoff became a member of the Commercial Law League of America. At that convention, and at the subsequent conventions of 1900, 1901, and 1904, Mr. Krauthoff was elected Recording Secretary of the League. In the year 1909, he was elected a member of the Executive Committee, and in the year 1910, he spoke at the banquet of the League, the subject of his address being "An Ideal Reality."

At the 1913 convention of the League, he was elected president of the organization.

In his work as a member of the League, Mr. Krauthoff presented at the 1913 convention a revision of the National Bankruptcy Law. In addressing the convention, Mr. Krauthoff said:

> "It is now suggested that another step in advance be taken: That we come to realize the word 'Bankrupt' is obsolete. That no longer is one who is indebted and who is unable to pay the same, re-

garded in the light in which a Bankrupt was formerly regarded. That, after all, though the poet may observe—

> 'What's in a name? A rose by any other name would smell as sweet,'

nevertheless the influence of nomenclature is controlling, and though we who understand the situation may know that a bankrupt is not what the literal derivation of the name may imply, yet, those who do not understand—those who are burdened with a sense of debt, those who hear perhaps for the first time, to them, the strange sounding words 'Bankruptcy Law,' or, who have in memory the thought that some disgrace attaches to the act of becoming a bankrupt, find it difficult to understand that the law upon the subject of bankruptcy is made for the relief of the honest debtor; that it is, after all, but an echo of the immortal invitation—

> 'Come unto me all ye that labor and are heavy laden, and I will give you rest.'

"And, in this spirit it is our privilege to say that the word 'Bankruptcy' shall disappear from American Jurisprudence. That, in its stead shall be introduced the word 'Adjustment,' which brings in its train, not the thought of failure, not the thought of disgrace, but the thought of bringing things to a just status; the thought of manifesting justice; for, after all, justice is the natural right, the natural condition, the inherent principle of existence.

"And having reached the point in our thought, where we may think of the law as an Adjustment law, and in our effort to express our notion of the justice of the situation, for, after all, human law has been defined as the conscious effort of the people to obtain justice, we may then ask ourselves, by what right do we assume to adjudge an individual bankrupt? The individual does not fail, the indi-

vidual is a creature of infinite love, and love never faileth, hence the creature of love cannot fail. The man, himself, as Burns would say— 'is a man for a' that;' and to enter an adjudication to the effect that an individual is a bankrupt, and then continue in court a proceeding in which that individual is continuously referred to as a bankrupt, is not in accord with the enlightened views which are now entertained in regard to the justice which should and does prevail in such a proceeding; and instead of the individual being adjudicated a bankrupt, it is proposed that in this new National Adjustment Law the thought of the individual shall be eliminated, and the decree which is entered shall be to the effect that the estate of which the individual who responds to the proceeding either voluntarily or involuntarily is possessed of the legal title, is declared subject to the operation of the law; in other words, the court is to deal with the estate which comes into possession of the court, not with the individual; for, after all, there is nothing which the court may do to the individual except as an incident to the administration of the estate. All the individual can be compelled to do is to deliver into the possession of the court the estate of which he is in the possession.

"But what of the discharge? Again, the new law does not carry with it the idea of granting an individual a discharge. So far as the individual is concerned, he personally owes the debts after the proceeding is instituted just as before. This is but another way of stating the proposition now prevailing, that notwithstanding an adjudication and discharge in bankruptcy, nevertheless the debtor may waive the privilege accorded him by the law and acknowledge the debt and become liable therefor. The theory of the new law is that the individual, as such, is never discharged from the debt which he has contracted, but the law in the interest of the

general welfare, and in order that the individual may become active in life, does provide that any property which he may acquire after the filing of the petition shall be exempt from judicial process in actions to recover debts previously contracted."

In speaking of the administration of which Mr. Krauthoff was the official head, Mr. Sprague, the Secretary, has said:

"The League has had a phenomenal year. Every record has been broken. The spirit of the League is fine. We have entered an era of action."

After the 1914 convention of the League, Mr. Krauthoff received a letter from Mr. Thomas W. Shelton of Norfolk, Va., Chairman of the Committee of American Bar Association on Uniform Legal Procedure, who attended the convention. From this letter we quote:

"It was a great meeting over which you presided and you had the good luck to manage it well without tyranny. Presiding over a good-natured, friendly but critical audience is a difficult undertaking. You left a good taste in the mouth of every person coming under my observation as well as a wholesome respect. * * * I want to thank you also for the resolution, the passage of which you brought about."

As president of the League, Mr. Krauthoff delivered six lectures before the law school of the University of Kansas. In the first lecture, Mr. Krauthoff said:

"The thought that we desire to bring out is that, after all, commerce is the life of a nation; that a student of history in analyzing the cause of the

growth and of the decline of nations, will remember that the nations of the Mediterranean, the nations of Rome and Venice and Phenicia, were glorious so long as their commerce was great, and was prosperous. It was the desire to find a route to India, that impelled Columbus to start upon that westward course that resulted in the discovery of America. Recently in reading in that series of books known as the 'Beacon Lights of History,' in the article upon the Feudal System, the writer, in describing the condition of affairs as it obtained in the middle ages upon the continent of Europe, in picturing the general stagnation which was on every hand, added as a cap-sheaf to the things which had preceded it, this suggestion: There was no commerce.

"And if we may imagine ourselves living in a community in which there is no commerce, we shall have some idea of what a potent force and factor commerce is in the lives of peoples and in the lives of nations. The student of the Common Law of England who fails to take note of the fact that it is designed for a trading people, will have but little appreciation of the underlying philosophy of that law. You will find, if you have not already done so in your studies, in the reported cases upon the subject of commercial law, constant reference to the custom of merchants. You will find constant suggestions that a rule contended for in a particular case cannot be laid down, because the establishment of such a rule would interfere with the doing of business. It is to the glory of men like Lord Mansfield, that they thought it not beneath themselves to become acquainted with the custom of merchants. It is related of the great Mansfield, of whom many say he is the father of the Law Merchant as administered in England, that he would summon a jury of business men, and when it came to a question arising under that law, he would turn

to the jury and say, 'Gentlemen, what is the custom of merchants?' He would dine with members of these juries which he had selected, and at first hand learn from them the manner in which men of mercantile affairs did their business. Because, after all, as Mr. Justice Holmes of the Supreme Court of the United States has said in his book on the Common Law, the life of the Common Law has not been logic, it has been experience. You may be the most abstruse and learned lawyer in the world; you may sit in your office and you may dazzle your client with a display of your learning, and of your ability, but at the end of it all, he will turn to you and say, 'Well, if that is true I cannot make this contract and I will lose the money that I might earn if I had made it.' So it becomes necessary for you to make of the law, not a thing apart from the rest of the world, not to regard it as a profession which is exclusive, but to remember that you are to be of service to the business community, in order that through your service and through your advice and through your aid, business may be done."

Again, Mr. Krauthoff said:

"Of course, when Robinson Crusoe was alone upon an island, there was no commerce. When Goldsmith wrote 'The Deserted Village' and spoke of

> 'A time there was, ere England's griefs began,
> When every rood of ground maintain'd its man,'

he had no idea of modern commerce. He spoke in this wise:

> 'But times are alter'd: trade's unfeeling train
> Usurp the land, and dispossess the swain.'

"And we may know in our modern understanding of trade and commerce, that that is the thing which makes our life glorious, that it is, as we intimated a moment ago, not merely an exchange of goods, wares and merchandise, but it is an exchange of ideas and intelligence and information, and that it may be likened to the shuttle that is going to and fro in the loom weaving into the warp and woof of our national existence, that unity of purpose, that harmony of thought which makes our existence as a nation possible."

Mr. Krauthoff further said:

"We have thought, that it might be of value to the law schools of the country, by bringing to the young men who are at school, not the thought of how to know law, because that thought is very fully and very accurately developed, but to bring to you some suggestion in the course of these lectures, as to how you may know to be lawyers, and being lawyers, as I said in the beginning, of service to your clients in all of the manifold activities in which they may engage, and we have come to you to give to you out of that store of our experience, that which many of us have taken years to acquire, which has cost us much time and some money to learn, and which, so far as we are advised, is not at present taught in any institution of learning, in order that you of the future who may have this way to tread, may not have some of the difficulties, may not have some of the experiences, may not suffer some of the things that we have suffered, and that there may go out into the world a class of lawyers who may relieve the profession of the charge to which it is now subjected, that of a profession of stagnation, that of a profession in which delay both in courts and elsewhere seems to be the cardinal principle, and go out and remember that as lawyers, the chiefest of

> us is he who serves. We come not to destroy the law but to fulfill it, and in order to fulfill the law, we must know 'that the very least does feel its care, and that the very greatest are not exempt from its power,' that we can know, it is not now a rule of action which may proceed from a superior, commanding that which is right and forbidding that which is wrong, but that law, as applied to the conduct of daily affairs, is that which the ordinary man believes to be the very right and the very justice of the situation, applied in such a way as to make possible the doing of business."

At the suggestion of Mr. Krauthoff, a committee was appointed to present to the Convention, a code of rules and regulations for the practice of commercial law. In the report, Mr. McGilton of Omaha, Nebr., quoted from the lecture of Mr. Krauthoff, hereinbefore mentioned.

Mr. Krauthoff was instrumental in the preparation of a resolution offered to the National Association of Credit Men, looking toward the co-operation with organizations of lawyers, relative to the improvement in conditions attending the practice of law. This resolution was adopted by the Credit Men and then on motion of Mr. Krauthoff, adopted unanimously by the League.

Upon his election to the office of president of the League, it was said of Mr. Krauthoff by the Mercantile Adjuster, St. Louis, Mo:

> "Mr. Krauthoff combines in a rare degree the qualities of a student and a business man. Learned in the law and a close thinker, he is none the less ready in his applications of its principles to the af-

> fairs of every day life. Aggressive and practical, as he has shown himself, in many ways, he will impress himself upon the history of the League and through it upon the commercial law world—probably his influence will not stop there."

In the administration of President Vose, Mr. Krauthoff served as chairman of the Committee on Grievances. At the 1913 Convention of the League, Mr. Krauthoff opposed the resolution calling on the National Administration to take some action in respect to the conditions prevailing in Mexico.

Mr. Krauthoff has never been active in politics since 1892. In that year he took an active part in the conduct of the campaign, assisting the Democratic County Committee of Jackson County, Missouri. Since then, he has been ranked as an Independent, having in succession voted for Cleveland, McKinley, Roosevelt, Taft and Wilson.

Mr. Krauthoff has been called upon, from time to time, to make addresses of a public nature upon divers subjects, including sermons. He is especially interested in all problems growing out of matters of a commercial nature. He believes that commerce is the life of the nation, and the vital necessity of zealously fostering and guarding that life through every practical channel. That commerce should be free of restrictions whether such restrictions be created by legislation negativing the free exercise of commercial privileges, or by contracts of a private nature. He is in favor of the enactment and the enforcement of all

legislation which tends to relieve commerce of any shackles that may be attempted to be placed thereon. He does not believe that business men in an effort to achieve the manifest destiny of our civilization are necessarily criminals. He believes in prevention and reformation rather than punishment. He is of the opinion that every business man should be given an opportunity in good faith to conduct his affairs, upon lines of which the constituted governmental authorities may approve, and that no punishment should be inflicted until there has been disobedience of the regulations prescribed by competent authority.

He construes the legislation of which the Federal Trade Commission Act is a part, as a manifestation of that spirit which prompted our Great Master, "I have come to give you life and to give it unto you more abundantly."

Commerce must live in order that the people of the United States may enjoy that "life, liberty and pursuit of happiness" guaranteed to them by the Declaration of Independence. In order, that it may live, the people of the United States, to use the language of our president, must have "a broader understanding" of commercial relations, a higher appreciation of the underlying proposition that our interests are not divided, but that what blesses one blesses all, bringing into our commercial world a fuller realization of that unity and integrity which means strength and back-bone to our nation.

THE FEDERAL TRADE COMMISSION ACT.

Analysis.

The Act of Congress, approved September 26, 1914, commonly called the Federal Trade Commission Act, marks a distinctive advance in the realization of the plan of President Wilson to regulate interstate commerce. Attending to the Act, which provides for the appointment of a commission to be known as the Federal Trade Commission, to be composed of five commissioners, to be appointed by the President and confirmed by the Senate. The non-partisan character of the Commission is assured by the provision that not more than three commissioners shall be members of the same political party. The term of a commissioner is fixed at seven years, the first five commissioners to serve for three, four, five, six and seven years respectively. No commissioner shall engage in any other business, vocation or employment.

In Section 2, the salary of the commissioner is fixed and it is provided that all employees of the Commission, excepting the secretary, a clerk to each commissioner, the attorneys and such special experts and examiners as the Commission may from time to time, find necessary for the conduct of its business, shall be a part of the classified civil service.

It is provided that the principal office of the Commission shall be in the City of Washington, but it may meet in the exercise of its powers at any other place. The Commission may, by one or more of its members,

or by such examiner as it may designate, prosecute any inquiry necessary to its duties in any part of the United States.

The several words, "commerce," "corporation," "documentary evidence," "acts to regulate commerce," and "anti-trust acts" are defined.

In Section 5 it is provided: "unfair methods of competition in commerce are hereby declared unlawful." The Commission is empowered and directed to prevent persons, partnerships or corporations, except banks and common carriers subject to the acts to regulate commerce, from using unfair methods of competition in commerce.

It is provided that the Commission may institute an inquiry with respect to any one whom the Commission may have reason to believe "has been or is using any unfair method of competition in commerce." The Commission is required to issue and serve upon one against whom the Commission is proceeding, a complaint stating the charges of the Commission in that respect and containing a notice of the time and place of hearing "therein fixed, at least thirty days after the service of said complaint." The one so complained of "shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission requiring" the one proceeded against "to cease and desist from the violation of the law so charged in the complaint." Anyone may be allowed by the Commission to intervene and appear in said proceeding by counsel or in person.

"If upon such hearing the Commission shall be of the opinion that the method of competition in question is prohibited by this Act," report in writing is required to be made, and the Commission "shall issue and cause to be served" on the one proceeded against "an order requiring such person, partnership or corporation to cease and desist from using such method of competition."

If the order of the Commission is not obeyed, the Commission is authorized to apply to the Circuit Court of Appeals of the United States "within any circuit wherein the method of competition in question was used, or where * * * (the one proceeded against), resides or carries on business, for the enforcement of its order." A hearing in the Court of Appeals is provided for and that tribunal "shall have power to make and enter upon the pleadings, testimony and proceedings set forth in such transcript (that is the transcript filed by the Commission), a decree affirming, modifying or setting aside the order of the Commission." The procedure in the Court of Appeals is prescribed. The judgment and decree of the Court of Appeals is final, except that the Supreme Court may review the same by *certiorari.*

"Any party required by such order of the Commission to cease and desist from using such method of competition may obtain a review of such order in said Circuit Court of Appeals, by filing in the court a written petition praying that the order of the Commission be set aside." A copy of the petition is required to be served upon the Commission, and thereupon the Com-

mission is required to certify and file in the Court of Appeals a transcript of the record. "Upon the filing of the transcript, the court shall have the same jurisdiction to affirm, set aside, or modify the order of the Commission as in case of an application by the Commission for the enforcement of its order."

The remedy provided by the Act is cumulative. "No order of the Commission or judgment of the court to enforce the same shall in any wise relieve or resolve any person, partnership or corporation from any liability under the anti-trust acts."

The Commission is given the general power to gather and compile information concerning any one engaged in interstate commerce, excepting banks and common carriers subject to the acts to regulate commerce, and to require reports made to the Commission. When any final decree has been entered against any defendant corporation in any suit brought by the United States to prevent and restrain any violation of the anti-trust acts, the Commission may upon its own initiative, investigate the manner in which the decree has been or is being carried out.

Upon the direction of the President, or either House of Congress, the Commission is to investigate the facts relating to any alleged violations of the anti-trust acts by any corporation.

> "Upon the application of the Attorney General, to investigate and make recommendations for the re-adjustment of the business of any corporation alleged to be violating the anti-trust acts, in order that the corporation may thereafter maintain its

organization, management and conduct of the business in accordance with law;

"To investigate, from time to time, trade conditions in and with foreign countries where associations, combination or practices of manufacturers, merchants or traders, or other conditions, may affect the foreign trade of the United States, and report to Congress thereon, with such recommendations as it deems advisable."

It is further provided that,

"In any suit in equity, brought by or under the direction of the Attorney General, as provided in the anti-trust acts, the court may * * * refer said suit to the Commission, as a Master in Chancery, to ascertain and report an appropriate form of decree therein."

The details of the manner in which the Commission may carry out its powers are prescribed. The attendance of witnesses may be compelled and their failure to attend may be punished by fine or imprisonment, or both. Other penalties are provided, and

"Nothing contained in this Act shall be construed to prevent or interfere with the enforcement of the provisions of the anti-trust acts, or the acts to regulate commerce, nor shall anything contained in the act be construed to alter, modify or repeal the said anti-trust acts, or the acts to regulate commerce or any part, or part thereof."

The Act is printed in full in a supplement to this document.

It is apparent, from this analysis of the Act, that the personnel of the Commission to be appointed by the President is of great importance to the people of the United States.

FEDERAL TRADE COMMISSION ACT.

Public No. 203, 63d Congress.

(In effect September 26, 1914.)

AN ACT TO CREATE A FEDERAL TRADE COMMISSION, TO DEFINE ITS POWERS AND DUTIES, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That a commission is hereby created and established, to be known as the Federal Trade Commission (hereinafter referred to as the Commission), which shall be composed of five commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate. Not more than three of the commissioners shall be members of the same political party. The first commissioners appointed shall continue in office for terms of three, four, five, six and seven years, respectively, from the date of the taking effect of this act, the term of each to be designated by the President, but their successors shall be appointed for terms of seven years, except that any person chosen to fill a vacancy shall be be appointed only for the unexpired term of the commissioner whom he shall succeed. The Commission shall choose a chairman from its own membership. No commissioner shall engage in any other business, vocation, or employment. Any commissioner may be removed by the President for inefficiency, neglect of duty, or malfeasance in office. A vacancy in the Commission shall

not impair the right of the remaining commissioners to exercise all the powers of the Commission.

The Commission shall have an official seal, which shall be judicially noticed.

Sec. 2. That each commissioner shall receive a salary of $10,000 a year, payable in the same manner as the salaries of the judges of the courts of the United States. The Commission shall appoint a secretary who shall receive a salary of $5,000 a year, payable in like manner, and it shall have authority to employ and fix the compensation of such attorneys, special experts, examiners, clerks, and other employees as it may from time to time find necessary for the proper performance of its duties and as may be from time to time appropriated for by Congress.

With the exception of the secretary, a clerk to each commissioner, the attorneys, and such special experts and examiners as the Commission may from time find necessary for the conduct of its work, all employees of the Commission shall be a part of the classified civil service, and shall enter the service under such rules and regulations as may be prescribed by the Commission and by the Civil Service Commission.

All of the expenses of the Commission, including all necessary expenses for transportation incurred by the commissioners or by their employees under their orders, in making any investigation, or upon official business in any other places than in the City of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the Commission.

Until otherwise provided by law, the Commission may rent suitable offices for its use.

The auditor for the state and other departments shall receive and examine all accounts of expenditures of the Commission.

Sec. 3. That upon the organization of the Commission and election of its chairman, the Bureau of Corporations and the offices of Commissioners and Deputy Commissioner of Corporations shall cease to exist and all pending investigations and proceedings of the Bureau of Corporations shall be continued by the Commission.

All clerks and employees of the said bureau shall be transferred to and become clerks and employees of the Commission at their present grades and salaries. All records, papers, and property of the said bureau shall become records, papers, and property of the Commission, and all unexpended funds and appropriations for the use and maintenance of the said bureau, including any allotment already made to it by the Secretary of Commerce from the contingent appropriation for the Department of Commerce for the fiscal year nineteen hundred and fifteen, or from the departmental printing fund for the fiscal year nineteen hundred and fifteen, shall become funds and appropriations available to be expended by the Commission in the exercise of the powers, authority, and duties conferred on it by this Act.

The principal office of the Commission shall be in the City of Washington, but it may meet and exercise all its powers at any other place. The Commission may, by one or more of its members, or by such examiners as

it may designate, prosecute any inquiry necessary to its duties in any part of the United States.

Sec. 4. That the words defined in this section shall have the following meaning when found in this Act, to-wit:

"Commerce" means commerce among the several states or with foreign nations, or in any territory of the United States or in the District of Columbia, or between any such territory and another, or between any such territory and any state or foreign nation, or between the District of Columbia and any state or territory or foreign nation.

"Corporation" means any company or association incorporated or unincorporated, which is organized to carry on business for profit and has shares of capital or capital stock, and any company or association, incorporated or unincorporated, without shares of capital or capital stock, except partnerships, which is organized to carry on business for its own profit or that of its members.

"Documentary evidence" means all documents, papers, and correspondence in existence at and after the passage of this Act.

"Acts to regulate commerce" means the Act entitled "An Act to regulate commerce," approved February fourteenth (fourth?), eighteen hundred and eighty-seven, and all Acts amendatory thereof and supplementary thereto.

"Antitrust Acts" means the Act entitled "An Act to protect trade and commerce against unlawful re-

straints and monopolies," approved July second, eighteen hundred and ninety; also the sections seventy-three to seventy-seven, inclusive, of an Act entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August twenty-seventh, eighteen hundred and ninety-four; and also the Act entitled "An Act to amend sections seventy-three and seventy-six of the Act of August twenty-seventh, eighteen hundred and ninety-four, entitled 'An Act to reduce taxation, to provide revenue for the Government, and for other purposes,'" approved February twelfth, nineteen hundred and thirteen.

Sec. 5. *That unfair methods of competition in commerce are hereby declared unlawful.*

The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, and common carriers subject to the Acts to regulate commerce, from using unfair methods of competition in commerce.

Whenever the Commission shall have reason to believe that any such person, partnership, or corporation has been or is using any unfair method of competition in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership, or corporation a complaint stating its charges in that respect, and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of said complaint. The person, partnership, or corporation so complained

of shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission requiring such person, partnership or corporation to cease and desist from the violation of the law so charged in said complaint. Any person, partnership, or corporation may make application, and upon good cause shown may be allowed by the Commission, to intervene and appear in said proceeding by counsel or in person. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Commission. If upon such hearing the Commission shall be of the opinion that the method of competition in question is prohibited by this Act, it shall make a report in writing in which it shall state its findings as to the facts, and shall issue and cause to be served on such person, partnership, or corporation an order requiring such person, partnership, or corporation to cease and desist from using such method of competition. Until a transcript of the record in such hearing shall have been filed in a Circuit Court of Appeals of the United States, as hereinafter provided, the Commission may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section.

If such person, partnership, or corporation fails or neglects to obey such order of the Commission while the same is in effect, the Commission may apply to the Circuit Court of Appeals of the United States, within any circuit where the method of competition in ques-

tion was used or where such person, partnership, or corporation resides or carries on business, for the enforcement of its order, and shall certify and file with its application a transcript of the entire record in the proceeding, including all the testimony taken and the report and order of the commission. Upon such filing of the application and transcript, the court shall cause notice thereof to be served upon such person, partnership, or corporation and thereupon shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, testimony, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the Commission. The findings of the Commission as to the facts, if supported by testimony, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts, or make new findings, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by testimony, shall be conclusive, and its recommendation, if any, for the modification or setting aside of

its original order, with the return of such additional evidence. The judgment and decree of the court shall be final except that the same shall be subject to review by the Supreme Court upon *certiorari* as provided in section two hundred and forty of the Judicial Code.

Any party required by such order of the Commission to cease and desist from using such method of competition may obtain a review of such order in said Circuit Court of Appeals by filing in the court a written petition praying that the order of the Commission be set aside. A copy of such petition shall be forthwith served upon the Commission, and thereupon the Commission forthwith shall certify and file in the court a transcript of the record as hereinbefore provided. Upon the filing of the transcript the court shall have the same jurisdiction to affirm, set aside, or modify the order of the Commission as in the case of an application by the Commission for the enforcement of its order, and the findings of the Commission as to the facts, if supported by testimony, shall in like manner be conclusive.

The jurisdiction of the Circuit Court of Appeals of the United States to enforce, set aside or modify orders of the Commission shall be exclusive.

Such proceedings in the Circuit Court of Appeals shal be given precedence over other cases pending therein, and shall be in every way expedited. No order of the Commission or judgment of the court to enforce the same shall in any wise relieve or absolve any person, partnership, or corporation from any liability under the anti-trust Acts.

Complaints, orders, and other processes of the Commission under this section may be served by anyone duly authorized by the Commission, either (a) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or to the president, secretary, or other executive officer or a director of the corporation to be served; or (b) by leaving a copy thereof at the principal office or place of business of such person, partnership, or corporation; or (c) by registering and mailing a copy thereof addressed to such person, partnership, or corporation at his or its principal office or place of business. The verified return by the person so serving said complaint, order, or other process setting forth the manner of said service shall be proof of the same, and the return post office receipt for said complaint, order, or other process registered and mailed as aforesaid shall be proof of the service of the same.

Sec. 6. That the Commission shall also have power:

(a) To gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the Act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships.

(b) To require, by general or special orders, corporations engaged in commerce, excepting banks, and common carriers subject to the Act to regulate commerce, or any class of them, or any of them, re-

spectively, to file with the Commission in such form as the Commission may prescribe annual or special, or both annual and special, reports or answers in writing to specific questions, furnishing to the Commission such information as it may require as to the organization, business, conduct, practices, management, and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. Such reports and answers shall be made under oath, or otherwise, as the Commission may prescribe, and shall be filed with the Commission, within such reasonable period as the Commission may prescribe, unless additional time be granted in any case by the Commission.

(c) Whenever a final decree has been entered against any defendant corporation in any suit brought by the United States to prevent and restrain any violation of the anti-trust Acts, to make investigation, upon its own initiative, of the manner in which the decree has been or is being carried out, and upon the application of the Attorney General it shall be its duty to make such investigation. It shall transmit to the Attorney General a report embodying its findings and recommendations as a result of any such investigation, and the report shall be made public in the discretion of the Commission.

(d) Upon the direction of the President or either House of Congress to investigate and report the facts relating to any alleged violations of the anti-trust Acts by any corporation.

(e) Upon the application of the Attorney General to investigate and make recommendations for the re-adjustment of the business of any corporation alleged to be violating the anti-trust Acts in order that the corporation may thereafter maintain its organization, management, and conduct of business in accordance with law.

(f) To make public from time to time such portions of the information obtained by it hereunder. Except trade secrets and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.

(g) From time to time to classify corporations and to make rules and regulations for the purpose of carrying out the provisions of this Act.

(h) To investigate, from time to time, trade conditions in and with foreign countries where associations, combinations, or practices, of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States, and to report to Congress thereon, with such recommendations as it deems advisable.

Sec. 7. That in any suit in equity brought by or under the direction of the Attorney General as provided in the anti-trust Acts, the court may, upon the conclusion of the testimony therein, if it shall be then of the opinion that the complainant is entitled to relief, refer

said suit to the Commission, as a Master in Chancery, to ascertain and report an appropriate form of decree therein. The Commission shall proceed upon such notice to the parties and under such rules of procedure as the court may prescribe, and upon the coming in of such report such exceptions may be filed and such proceedings had in relation thereto as upon the report of a master in other equity causes, but the court may adopt or reject such report, in whole or in part, and enter such a decree as the nature of the case may in its judgment require.

Sec. 8. That the several departments and bureaus of the Government when directed by the President shall furnish the Commission, upon its request, all records, papers, and information in their possession relating to any corporation subject to any of the provisions of this Act, and shall detail from time to time such officials and employees to the Commission as he may direct.

Sec. 9. That for the purposes of this Act the Commission, or its duly authorized agent or agents, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any documentary evidence of any corporation being investigated or proceeded against; and the Commission shall have power to require by subpoena the attendance and testimony of witnesses and the production of all such documentary evidence relating to any matter under investigation. Any member of the Commission may sign subpoenas, and members and examiners of the Commission may admin-

ister oaths and affirmations, examine witnesses, and receive evidence.

Such attendance of witnesses, and the production of such documentary evidence, may be required from any place in the United States, at any designated place of hearing. And in case of disobedience to a subpoena the Commission may invoke the aid of any court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence.

Any of the District Courts of the United States within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or other person, issue an order requiring such corporation or other person to appear before the Commission, or to produce documentary evidence if so ordered or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

Upon the application of the Attorney General of the United States, at the request of the Commission, the District Courts of the United States shall have jurisdiction to issue writs of mandamus commanding any person or corporation to comply with the provisions of this Act or any order of the Commission made in pursuance thereof.

The Commission may order testimony to be taken by deposition in any proceeding or investigation pending under this Act at any stage of such proceeding or in-

vestigation. Such depositions may be taken before any person designated by the Commission, and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the Commission as hereinbefore provided.

Witnesses summoned before the Commission shall be paid the same fees and mileage that are paid witnesses in the courts of the United States, and witnesses whose depositions are taken and the persons taking the same, shall severally be entitled to the same fees as are paid for like services in the courts of the United States.

No person shall be excused from attending and testifying or from producing documentary evidence before the Commission or in obedience to the subpoena of the Commission on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture. But no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter or thing concerning which he may testify, or produce evidence, documentary or otherwise, before the Commission in obedience to a subpoena issued by it. Provided, That no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

Sec. 10. That any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce documentary evidence, if in his power to do so, in obedience to the subpoena or lawful requirement of the Commission, shall be guilty of an offense and upon conviction thereof by a court of competent jurisdiction shall be punished by a fine of not less than $1,000 nor more than $5,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

Any person who shall willfully make, or cause to be made, any false entry or statement of fact in any report required to be made under this Act, or who shall willfully make, or cause to be made, any false entry in any account, record, or memorandum kept by any corporation subject to this Act, or who shall willfully neglect or fail to make, or cause to be made, full, true, and correct entries in such accounts, records or memoranda of all facts and transactions appertaining to the business of such corporation, or who shall willfully remove out of the jurisdiction of the United States, or willfully mutilate, alter, or by any other means falsify any documentary evidence of such corporation, or who shall willfully refuse to submit to the Commission or to any of its authorized agents, for the purpose of inspection and taking copies, any documentary evidence of such corporation in his possession or within his control, shall be deemed guilty of an offense against the United States, and shall be subject, upon conviction in any court of the United States of competent jurisdiction,

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FOREIGN RELATIONS AND OVERSEA TRADE

Address before

The Southern Commercial Congress
Muskogee, Oklahoma, April 30th, 1915

by

WILLARD STRAIGHT,
representing the
National Foreign Trade Council.

NEW YORK
1915

Prof. A. C. Coolidge.

FOREIGN RELATIONS AND OVERSEA TRADE

Address before the Southern Commercial Congress, Muskogee, Oklahoma, April 30th, 1915, by Mr. Willard Straight, representing the National Foreign Trade Council.

As good Americans and businessmen, you will agree that we wish to preserve friendly relations with all the world and increase our foreign trade. Taking this for granted, how may we best realize our desires? Having once determined what you want, you set about to get it. The most effective method, you will admit, is to study your problem, anticipate probable and possible difficulties, and make your plans accordingly. You take stock of your own abilities, remedy your deficiencies where you can, and with preparations complete embark upon your enterprise. This, Gentlemen, is my text.

I have already expressed to Dr. Owens, your genial and able Managing Director, and through him to your Governing Board, my appreciation of their invitation to be present on this occasion. They and you have done me great honor in permitting me to address you. It is a privilege to be here, and an opportunity. History is in the making, Gentlemen, and the mills of the Gods are not only grinding exceeding small, but exceeding fast at the present time. Our position in world affairs may be very largely determined by the course which we now follow. We have reached the period in which, as Bismarck prophesied many years ago, we are to undergo the real test of the American Democracy. Our broad lands are rapidly being filled. The period of exploitation is past. The age upon which we are entering will be one of conserva-

tion, of co-operation, of the international division of labor. The various elements in our national life must be co-ordinated to serve a common and national end. Our exports of raw material in normal times no longer wholly suffice to pay for our imports from abroad. Our domestic consumption of foodstuffs and other raw products grows larger each year, and we are in consequence increasingly interested in the selling of our manufactured goods to maintain our trade balance. A trade opportunity brings with it a diplomatic responsibility. The extension of this foreign trade, which we so urgently require, is in no small measure dependent upon the conduct of our foreign relations. I shall, therefor, if you will permit me, call to your attention certain facts—not upon the assumption that you are unfamiliar therewith, but in the hope that an attempt to show the interaction of diplomacy and foreign trade may be of interest.

The progress of the world has been marked by the discovery and co-ordination of forces whose existence and mutual bearing had been previously unsuspected. Just as Science has demonstrated synthetic relationships of which we had been unconscious, so the war which is now devastating Europe has made us suddenly aware that we are not after all isolated from the rest of the world, or by any means independent of each other. You gentlemen of the South who saw a bumper cotton crop held up by the closure of your European markets, have been made very keenly alive to this situation. The Eastern bankers who relied upon your annual shipments to meet the drain of funds caused by tourists expenditure in Europe and interest falling due on American securities held abroad, moreover, found themselves greatly embarrassed by your—which has also been their—predicament. The war, in fact, has X-rayed the body politic, and shown to us the delicately adjusted, closely articulated commercial and financial structure which sustains the vastly diversified business of our country.

Our premises then rest on the following facts: We wish

to, because we must, develop our foreign trade. This development to be permanently successful must be accompanied by a more general understanding of the importance of foreign relations. Like our overseas trade, our diplomatic policy therefore affects no one section of the country and no one phase of our national life, but is directly or indirectly the concern of the whole country and all the people. With this statement I believe you will agree. That being the case what are we going to do about it?

Our attention at the present time, insofar as it is not confined to our own immediate affairs, is very largely concentrated on the trenches in Western Europe, on the battlefields of East Prussia, on the operations in the Dardanelles, and on the diplomatic correspondence which our Government has been exchanging with the various belligerents. This is natural. The true significance of these events, however, lies not in their present military interest, but in the probable effect of the forces now in conflict, and of the forces which this war has called into being, upon the political and economic future. The clash has been long inevitable, and its result for some years at least, we hope, will be decisive. It is this result consecrated on a hundred battlefields—not the battles themselves, that will affect the United States. Our commercial genius and our statesmanship therefore must understand the present and the past in order intelligently to anticipate the future.

The struggles which marked the close of the eighteenth and the beginning of the nineteenth centuries were the military climax of a ferment which bred our own and the French Revolution, and which found renewed expression in the events of 1830 and 1848. Despite the period of reaction which immediately followed the Congress of Vienna, the Napoleonic wars had sealed the fate of absolute monarchy and marked the beginning of constitutional government in Central Europe. We are now witnessing a continuation of the same conflict, which is as old as history and will persist when we are gone. It is in its present manifestation an issue between a paternalism of which militarism is but a phase, and democracy; between two conceptions of

the State as the master or as the servant of the people. For us it is vitally important to observe that Democracy to meet Paternalism is adopting of its own volition the centralized national organization which Paternalism has imposed. Both England and France, like Germany, are no longer armed nations, but nations in arms. Every interest in German national life has been co-ordinated under Government control. It is the remarkable efficiency of this administrative machinery which has enabled her to stand the crucial test so well. The military and naval establishments are but one portion of a complex system which enables the State to gather copper from the village kitchens, administer the grain supply, order the conservation of potato-peelings and the slaughter of pigs which might otherwise consume the cereal needed for the food of the people.

To-day the French and British democracies are themselves constructing similar mechanisms, not as yet so elaborate, but effective in meeting each situation as it may arise. Railway and steamship lines are in effect under Government control. A series of measures, brilliant alike in conception and execution, have not only enabled the British banking system to withstand the sudden shock of war, but have kept the London discount market open for financing Great Britain's foreign trade. War loans have been issued in England and France, as well as Germany, to an amount which almost staggers the imagination, and arrangements have been made between the Finance Ministers of Great Britain, Russia and France for a joint policy by which the three great Allied Governments will meet their own problems and jointly assist in financing some of their weaker fellows. The British Treasury supervises the London, the French Government the Paris, Stock Exchange. In order that the nation's financial resources may be conserved for the prosecution of the war no new foreign loans may be issued in London without the special authorization of the British Treasury. The French Government has for some years exercised a similar power. Besides

extending their control over finance and transportation, the European Governments have in many cases actually assumed, or been empowered to assume, the direction of the manufacture of goods required for the war. A system is being developed which is practically the organization of labor into a national industrial reserve quite as important as the military reserves which guard lines of communication instead of actually being engaged on the firing line. And now further to increase national efficiency the sale of vodka and absinthe has been forbidden in Russia and France, and prohibition in absolute or modified form is advocated in Great Britain.

These steps towards the socialization of the State—not State Socialism—once taken are not likely to be retraced. The value of co-operative effort will be conclusively demonstrated and will be as valuable in the readjustment which will follow the war as it is essential to its successful prosecution.

When the war is over there may, perhaps, be a period of political reaction and of financial and industrial depression throughout Europe. Industry must absorb again the men who are now serving in the field. German foreign trade will be disorganized. The Russian market which has been vitally important will, it is said, be closed as far as possible to German goods. Great Britain's world wide commerce, which has depended largely upon the ability of the London market to finance the foreign consumer, may not flourish as before, because—for a time at least—capital will be required at home and may not be available for foreign development. Yet this dislocation may not be attended by results as serious as some suppose, because the output of the factories will be required in no small measure to make up for the wastage of the war. The whole world, moreover—commercial and financial at least—has been involved in the present crisis. Where all are affected there is a greater likelihood that some common measures will be found gradually, and with a minimum of hardship, to meet new conditions. Therefore, while numberless individuals and lo-

calities may be impoverished, it would seem likely that the world as a whole, though it will suffer, will do so because developments which would have been undertaken will not now be attempted, rather than because of the actual destruction that has taken place.

From the American point of view the most important result of the war will be not the possible temporary financial, commercial and industrial embarrassment in Europe, but the impetus which has been given to more effective national organization in Great Britain and France, as well as in Germany. There will be a new Russia, a consolidated Italy, disciplined and alert States in the Balkans and Scandinavia, and Japan self-confident and self-conscious in the fulfillment of her Imperial destiny.

These are the facts by which we will be confronted and with which we must be prepared to deal. What is our position?

Following the outbreak of hostilities in Europe in August last, we ourselves to a certain extent learned the value and necessity of co-operation.

Luckily for us, the Federal Reserve Board had been appointed before the crisis came. These gentlemen promptly mobilized the banking interests of the country. A syndicate took care of the New York City debt. The so-called gold and cotton "pools" were formed to pay what we owed abroad and to look after the interests of the South. Then, as if by magic, thanks to our enormous exports, the situation was reversed. Where eight months ago it was estimated that we owed Europe three hundred millions of dollars in immediate maturities, it is claimed that, without considering the debit against us because of foreign holdings of American securities, we now have something like six hundred millions due us from the other side. The dislocation of the European exchanges, moratoria, and the urgent necessities of our merchants and our customers, have enabled us, under the provisions

of the Federal Reserve Act in a few months to develop a discount market which, under ordinary circumstances, would have taken us a much longer period to acquire. Through this channel we are financing shipments of goods to and from the United States. Our access to European capital has been cut off, but reserves heretofore unavailable, have been released and we are easily absorbing such American securities as Europe wishes to sell. At the same time, in order to stabilize exchange we are stimulating and facilitating our export trade by granting credits to Europe to pay for goods purchased in this country. For the first time in our history we are through these very necessary operations establishing a market for foreign loans. This education of our public, should make it possible for our bankers later to undertake transactions which, by encouraging development particularly in South America, and perhaps in Russia, will create new markets for American goods. Thus our investors in addition to securing a satisfactory interest return will be utilizing American money for the benefit of American industry.

These recent developments afford an assurance that what has heretofore been the most serious obstacle to the extension of our foreign trade, is now in a fair way to being overcome. We have been accustomed to finance our production. We are now learning to finance the distribution of our goods through the " acceptance " and sale of Bills of Exchange, and the public, by the purchase of foreign securities, is playing its part in granting the credits which our customers require.

The perfection of our selling methods abroad, however, is still a matter demanding careful attention. The President, in his recent address before the United States Chamber of Commerce at Washington, discussed the manner in which our manufacturers might combine in selling organizations for the promotion of their export business. The inhibition placed upon the development of foreign trade by the Sherman Law and the Clayton Bill must be removed if American industry in the

future is successfully to compete with the foreign combinations, which have been and will be developed. This is a problem for the new Federal Trade Commission to solve.

There is also the question of transportation. The Government Shipping Bill was suggested to meet a temporary aggravation of a situation which has long existed. I shall not venture an opinion as to whether or not it would have been successful. One thing, however, is clear; Transportation is a commodity like any other. In our industry we have by a protective tariff assured a certain standard of living to the American workman, and even under the high cost imposed by our navigation laws we have been able to operate vessels in the coast-wise trade by reserving it exclusively for American shipping. But this is impossible in foreign trade where the business of selling transportation is highly competitive. We may be able, despite our high labor costs, to market our manufactured goods abroad because the efficiency of our workmen and the labor-saving devices which we use enable us to keep down the cost of production. But in shipping not only is there no labor-saving machinery, but our navigation laws make it necessary for American ships to carry larger crews than are required to man foreign vesssels. If we wish to transport our goods under the American, rather than the British or the German, the Dutch or the Norwegian, flag, we must be prepared to furnish transportation at competitive prices. This can be done in one of two ways: either by permitting American shipowners to purchase and operate vessels on the same basis as their competitors as to the cost of construction and labor charges; or by empowering the Goverment to bear the difference between the cost of ships and labor in the open world market and the cost thereof under our own tariff and navigation laws. Whether the Government meets this cost by subsidy or by itself buying or building ships involves the question of public or private ownership, not the charge upon the taxpayer. The difference is in name, not in substance, for subsidy—like Government ownership—means that the public pays the

charges which are imposed in the interest of labor. The only difference lies in the fact that a subsidy might encourage investment in a business which has not heretofore promised any interest return, except where, as has frequently been done, American owned ships are operated under foreign flags. If the American people desire a merchant marine and desire at the same time to insist that there should be American officers and that the crews should have certain accommodations, certain food, and be in sufficient numbers to man a certain number of lifeboats, the American people will have to pay—otherwise the business will be done under flags other than our own.

The financing of production and distribution, selling organization and transportation are the principal direct factors in the development of our foreign trade. They immediately concern the merchant and the manufacturer, the farmer, the banker and the shipper, as well as the laboring man, but under our form of administration they are all more or less dependent upon Government action or subject in some measure to Government control. The conduct of our international relations, however, is essentially a Governmental function. It is in reality the promotion of our oversea commerce in the most comprehensive sense, and may be, and is, performed in numerous ways, the variety and the importance of all of which are not sufficiently appreciated.

One of the most striking results of the European war already apparent has been the strengthening of the ties between the United Kingdom and her Colonies. Imperial preference was first discussed after the bonds of Empire had been knit close by the strain of the South African war. It would seem not at all improbable, therefore, that this matter would again be taken up with renewed vigor. Aside from sentimental and political considerations the fact that wages in England have already been increased—and are unlikely to be greatly reduced—and that industry must be assured its profits, will afford an added argument for some form of Imperial British protective tariff;

while the present financial co-operation of England, France and Russia, moreover, may also later form the basis for a customs understanding.

We have regarded the tariff primarily as a source of revenue and as a safeguard and stimulant for American production. We have a Reciprocity Treaty with Cuba, and once discussed a similar agreement with Canada. The provisions of the Underwood-Simmons Act contemplate the negotiation of trade agreements subject to the approval of Congress. But few of us, save when startled by threatened reprisals, have been alive to the possibilities of our tariff and our treaty-making power as diplomatic instruments in the development of our foreign trade. There are certain favors which we can grant and certain things which we ourselves need. The negotiation of reciprocal arrangements should be facilitated and the institution of reprisals made possible. The creation of a Tariff Board composed of representatives of the Departments of State, the Treasury, Commerce, Justice, and Labor, empowered to deal with these matters may before very long be found to be necessary in the interests of American commerce.

We are generally familiar with the effective work performed by our Consular officers, and the ability and enthusiasm which the Secretary of Commerce—Mr. W. C. Redfield—and his assistants have shown in the task of extending American trade. The important functions and the very real services of our Embassies and Legations, however, are apparently not always so clearly appreciated or understood. It is too often supposed that diplomacy has no very direct relation with, or bearing upon, the humdrum affairs of business life. In the minds of some a diplomat is a gentleman in a top hat who makes himself pleasant to ladies at tea parties. There are, it is true, countless matters of routine from the viséing or issue of passports to the presentation of ladies at Court. Yet even these details are important, for they, equally with matters of seemingly far greater moment, affect our position abroad. The work is

definite and technical, and requires trained intelligence, tact and wide knowledge of business and politics. Diplomacy is not an abstract science or system of philosophy, it is really a Court of Equity in international affairs and our foreign relations are but the aggregate of questions in one way or another arising from our oversea commerce. We may not approve of armed intervention in the affairs of another nation to enforce American claims. Such drastic action, on our part, however, is unnecessary save in certain cases, fortunately extremely rare, where general conditions rather than particular interests demand the restoration of law and order. All legitimate American interests abroad whether they be those of the missionary, or the investor, the merchant or the ranchman, are entitled to diplomatic protection and support. Unless such protection and support are assured, foreign enterprise becomes a speculation and not an investment. It will attract gamblers, not sound business men, for the confidence which security begets is the basis of all honest trade. For this protection we look to the Department of State and our Embassies, Legations and Consular establishments. They it is who must safeguard our interests in foreign lands, and adjust questions which may arise between citizens of our country and the Government of another, or between another Government and our own in the development of national policies.

We in this country, unfortunately, have been too prone to look upon our foreign relations as a sort of football which we might kick about to suit the whims of domestic politics. It is not so many years ago that every Fourth of July orator twisted the lion's tail for the edification of his auditors. Our isolation made us not only confident, but unmannerly, in what we considered to be our immunity. We have been inclined to disregard the facts of our history. For this inaccurate teaching and mistaken patriotism have been largely responsible. But surely true patriotism does not consist in playing the ostrich, but in

recognizing, in order to deal with, even disagreeable facts. Otherwise progress becomes impossible.

One hundred years ago we were part of the European system. American independence was but a collateral—though tremendously important—result of the wars which preceded the French Revolution. We passed unscathed through the Napoleonic Era, and emerged essentially uninjured from the War of 1812—not because of our inherent strength, but because England, France and Spain were more vitally concerned elsewhere. In the enunciation of the Monroe Doctrine, which we like to consider particularly our own, we were encouraged by a British Minister, Canning. He sought, not so much to safeguard American liberty as to assure to British merchants opportunities for South American trade by preserving that region from the domination of the Holy Alliance. In China, in Africa, in India, South America and Russia, American merchants played their part in the adventurous trading of the first half of the nineteenth century. But these men, like our statesmen of that time, were largely guided, or at least affected, by the influences which dominated or agitated Europe. In these days our oversea commerce was essential to the life of the nation and our diplomacy was correspondingly important. During the Civil War the clipper ships, famous the world over, were driven from the seas. After 1865 we concentrated our energies upon reconstruction in the South and the opening of the West, severing our more intimate relation with the Continental system and entering upon a period of incubation when we gave little heed to our foreign trade and during which our di lomacy was provincial. In this, as in the preceding stage of our national development, we were secure from outside interference—not so much because of our ability to resist aggression, as because of our geographical position and the pre-occupation of the Powers across the Atlantic. Even in 1895 at the time of the Venezuelan boundary dispute, Lord Salisbury anticipated the coming struggle with Germany and was unwilling to clash with the United States. So later, when Germany endeavored

to form a coalition of the Powers to support Spain, Great Britain refused to participate and held the field clear while we occupied Cuba and Porto Rico and defeated the Spanish fleet at Manila Bay. It would be humiliating to feel that we could not, if called upon to do so, defend the Monroe Doctrine against all comers; but the fact remains that we have been able to develop this, practically the only positive principal in our foreign policy, chiefly thanks to the exigencies of European politics. The Monroe Doctrine, like the " open door " in China, has been accepted lest any interference therewith disturb the delicately adjusted European " Balance of Power."

This " Balance of Power " which has in the past afforded us our protection may, when this war is over, be unbalanced for sometime to come—for one side or the other will probably emerge victorious. The spirit of nationality in Europe will be emphasized. Like the United States after the Civil War, when we induced England to pay the *Alabama* claims—and suggested that the forces of Napoleon III leave Mexico—the nations which have fought may be more, rather than less belligerent: they may be less tolerant of argument and more prone to action. The strengthening of democracy should be a guarantee for the preservation of peace, but it will be a peace in which our friends across the water will be active and aggressive, rather than charitable and considerate.

Following the cessation of hostilities in Europe there will be a readjustment in world affairs unparalleled in history. The future of Europe, of Asia, and Africa will be settled for some time to come and it is inconceivable that the Americas will not be intimately affected by, if indeed they are not included within the scope of, this forthcoming international congress.

During the past few months the Administration in Washington has shown tact, judgment and sound common sense in its efforts to protect our neutral commerce from belligerent interference. It has been inevitable, however, that in the process we have, by the very correctness of our position, provoked bitter criticism in the European press and amongst

the peoples at war. We have made demands which they have considered unreasonable and which they may not readily forget.

We are apt sometimes to be blind to the inconsistencies in our own policy, but that does not by any means make them invisible to others, who perhaps may be quite as unconscious of the beam in their own eye as we are of the mote in ours. Imagine for an instant what our view would be in case American lives and property were sacrificed in, say, China, and if Japan in refusing to allow us to secure satisfaction from the Chinese Government, was unwilling herself to take action. As we would have others do to us, so must we do to them. Therefore, instead of being too vociferous in our denunciation of those whom we feel are restricting our foreign business, it might be well for us to remember that during the past few years British, French and German property has been destroyed in Hayti, Santo Domingo and Mexico. Under the Monroe Doctrine we assumed a benevolent guardianship over the affairs of this hemisphere. We have been granted a comparatively free hand to deal with these questions because European rivalries have been so delicately balanced that no power dared risk dispersing its strength in an American adventure. On the conclusion of hostilities, however, this situation will no longer exist. We may take it for granted that we too shall then be asked for an accounting. We shall either have to fulfil or forego the responsibilities which we have in the eyes of the world at least, assumed for the behavior of our Southern neighbors.

You may feel, perhaps, that in raising this point I have departed from my subject and entered upon a discussion of a domestic question wholly unconnected with our foreign trade or our general foreign relations. If so I cannot agree with you. It is impossible to separate such matters into watertight compartments. When we demand that Russia modify her domestic policy regarding the Jews to recognize American passports carried by our Jewish citizens, we cannot expect Japan and China cheerfully to acquiesce in our exclusion

of their subjects under the American immigration Laws. We cannot impose our will upon another nation in Persia and expect consideration and hearty co-operation in settling a dispute in Peru. We cannot isolate problems in diplomacy and at our discretion say that we will arbitrate this one and settle that one as we may deem desirable. We cannot eat our cake and have it.

This subject is referred to not with any desire to criticize the Administration in Washington, which inherited and did not create the Mexican problem. If we have shirked what our critics consider to be our obvious duties, it has not been so much the fault of President Wilson or Mr. Bryan as it has of the American people whom they represent. We are a Democracy. The very nature of diplomacy requires constructive and farsighted leadership. But with us in the last analysis it must conform to the will of our people, and our foreign policy will be intelligent and effective or otherwise according to the public understanding or ignorance of its relation to our national life.

It is, therefore, imperative that as a nation we should now, while we have yet time, set our house in order. If we would avoid embarrassments for the future, or assume fresh responsibilities, our present obligations must be recognized.

It is foolish, moreover, for us now to talk complacently of capturing British and German trade, because Europe is at war, and because the Monroe Doctrine is supposed to give some sort of a hypnotic claim to the profits of South American commerce. We hear that the trade of the world will be ours; that we shall supplant London as the world's credit center. But we should remember that much of the business upon which we are now engaged is directly attributable to the war, and may be greatly diminished by its conclusion. We should not, therefore, be lulled to a happy sleep by siren songs. We cannot sit down and wait for good things to continue to drop, like ripe apples, into our lap. Once the war is over it will not be long before Europe, commercially and industrially

better organized than before, will aggressively undertake to recoup itself for its losses by extending and developing its foreign trade. Interruption in European exports has made it possible to introduce American goods where heretofore they have been denied a fair trial, but any advantages which we may now gain will be temporary, rather than permanent in character, unless we are able firmly to establish ourselves in the markets which, for the time being, are opened.

Our ability to meet the test will depend upon the quality and prices of our goods, upon the facilities for financing their distribution and upon the efficiency of our selling methods. The activities of our merchants and manufacturers however must be encouraged by an intelligent, alert, and responsible diplomacy, maintaining increasingly cordial relations with the rest of the world with which we desire to do business.

I fear, Gentlemen, that this has been a somewhat rambling talk, that I have offered no concrete suggestions as to ways and means of securing foreign trade. I have certainly not ventured to outline a diplomatic policy for our Government. But you are interested in foreign trade development, and it is the inter-dependence of our foreign relations and our foreign trade that I have endeavored to analyze—their mutual relationship that I have attempted to make clear. I have hoped, by describing the warp and woof, to give an impression of the fabric as a whole, and to show that the problems of both are in reality the same, although expressed, perhaps, in different terms.

To sell goods abroad it is necessary to understand and satisfy a foreign market. To cultivate friendly diplomatic relations it is essential to appreciate and sympathize with the ideals and aspirations of a nation other than our own. Diplomacy, like trade, is largely a matter of square dealing, in apprehending and adjusting differences, as well as common interests—in recognizing, not in dodging, facts. Foreign trade and diplomacy, after all, are like most other human relations. The twin keys to success therein are courtesy and common sense.

As Southerners and as businessmen, you are endowed with the one, and know the value of the other. The future is before us. We wish to share the profits of the world's trade, and creditably to bear our responsibilities in the world's affairs. To realize these aspirations for this democracy of ours we must have confidence in one another, understand the fundamental identity of our interests and co-operate for a common end. The essential thing is to see our problem clearly and, to realize its bearing upon every phase of our national life.

Once we can do this, you know and I know that we shall succeed.

HOW TO REVIVE BUSINESS.

To the Reader:

WE believe every man in the South wants to see business improved at the earliest possible moment and continued thereafter in a prosperous condition. We are sending you the attached speech, delivered by Mr. George W. Perkins before the Southern Commercial Congress on April 29th, because we believe it contains very practical suggestions by a practical business man.

We will thank you if you will read it and write us frankly what you think of it. We want to gather opinions from the business men of the South on this subject. If you should object to our publishing what you may say, please so state; otherwise we shall feel at liberty to quote you.

THE EDITORS,
The Market World,
80 Wall St., New York City

An Address Delivered Before the Southern Commercial Congress, Muskogee, Oklahoma, April 29, 1915

By

GEORGE W. PERKINS

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THE NEW SOUTH AND THE NEW WORLD

By George W. Perkins

FIFTY years ago this month a great reconstruction period began in this country. Every man fully realized it, for the causes were so dramatic that they made a deep impression. Not only a new South but a new Nation was born.

To-day we are in the midst of another great reconstruction period; but do we realize it? Do we comprehend its causes, its effects?

We are all familiar with the story of the flood of water in Noah's day which engulfed the world and wiped out then existing conditions. In our day there has been another great flood which has engulfed the world and wiped out many existing conditions. I refer to the flood of electricity in Edison's day. I believe we have been too close to this electrical flood to realize its magnitude and significance, and that our failure in this respect has caused and is causing us to hesitate, to stumble, to lose vast commercial opportunities offered in the reconstruction period of the great new electrical world.

I understand it was Governor Ferguson of Texas who recently said: "We are broke, with our pockets full of money." If this is so, it is largely because we are groping in the dark though with an electric torch in our hands.

Intercommunication by electricity automatically centralizes social and industrial relations. The advent of electricity sounded the death knell of individualism and heralded the birth of co-operation. It drew men together into one mighty family, and just as the family living under one roof must co-operate if it would be happy and prosper, so men living and working under present day conditions of intercommunication must co-operate if they would be happy and prosper.

Co-operation, therefore, is and must be the keynote, the spirit, the watchword of the great new electrical world.

The great New South is no longer merely the New South of Henry Grady's day, but the greater New South of Thomas Edison's day; its problems and responsibilities are no longer local or sectional; they are national and international. Your co-operation in a solution of our national and international problems is all-important and must be had at once if our nation as a nation is to come into the prosperity to which it is entitled and in which the South cannot fail to share.

The South has recently had two striking illustrations of what co-operation on a large scale can do. I refer to the Tennessee Coai and Iron Company and your cotton difficulties of last Fall.

Take the case of the Tennessee Coal and Iron Company. Birmingham knew for years that it had vast quantities of iron ore and coal. Several efforts were made to build up the steel industry at that point, but those efforts met with setbacks and reverses. Progress was slow, largely for two reasons: First, because more capital was needed; second, because more experience was needed.

The Steel Corporation bought the Tennessee Coal and Iron Company; the necessary capital was furnished, the necessary experience was furnished, and success was the prompt reward. Mr. Morgan did not furnish that capital personally, out of his own pocket; he gathered it together from all over the world, a little here, a little there; a vast number of people became partners and contributed to the enterprise. There was co-operation everywhere—co-operation from Alabama's natural resources of ore and coal; co-operation from Pittsburgh with its years of experience with ore and coal; co-operation from New York in interesting capital; co-operation from Europe in furnishing capital—all resulting in a great expansion in the business and in bringing industrial success and benefits to the people of the South. This transaction was approved at the time by the Republican President in office.

Every once in a while the question is raised by politicians and by the Government, why business men do not allow industries to grow up "naturally" and solely under competitive methods, instead of by co-operation through consolidation. The Tennessee Coal and Iron incident is a striking illustration of why. If it had been left in its original condition it would doubtless have kept on groping and stumbling and making slow and uncertain progress. By associating itself as it did with the Steel Corporation the necessary co-operation

was secured and industrial success was obtained in two or three years that might possibly never have come at all or at best would have been many years in coming.

Take the incident of your serious difficulties last Fall in marketing your cotton crop. Again you needed co-operation. You were crippled without it. Your ordinary channel for marketing cotton was unexpectedly closed. You sorely needed financial assistance. You needed some method of adjusting your situation to a vital emergency, and bankers from all sections of the country offered to join in the undertaking. Secretary McAdoo took the position that the bankers ought to adopt the policy of loaning money to cotton planters only on the condition that they would reduce their cotton planting for the following year. This was a direct and specific attempt to restrict the output of cotton, to restrain trade in cotton, and to use the "money power" for that purpose. This was done with the approval of the Democratic President in office.

Common sense dictated that you needed and ought to have co-operation in your steel crisis at Birmingham. Common sense dictated that you needed and ought to have co-operation in your cotton crisis last Fall. But I want to point out to you the conditions under which these two transactions were made and the confusion that has followed:

First: The Tennessee Coal and Iron transaction, as I have said, was approved at the time by the Republican President in office. No question has ever been raised as to the satisfactory nature of the business results accomplished. The South has not complained, the North has not complained, capital has not complained, labor has not complained, consumers have not complained; nevertheless, shortly after the transaction was put through Democratic politicians began to complain. They instigated investigations and tried their best to upset the transaction. Finally the next President in office—a Republican—tried to upset the transaction by bringing a dissolution suit against the Steel Corporation itself, citing the purchase of the Tennessee Coal and Iron Company by the Steel Corporation as one of the principal reasons why the Corporation should be dissolved and claiming that the transaction was illegal under the Sherman Law. Here we have one President—a Republican—believing the transaction proper and the very next President—also a Republican—believing it improper.

Second: In the case of the cotton transaction, much criticism has been made of the manner in which it was carried through and of the fact that the Secretary of the Treasury approved a plan by which bankers should not loan money to cotton planters unless said planters would agree to curtail their acreage of cotton planting for the following year.

To the layman there would seem to be no possible doubt that this cotton transaction was a direct attempt to restrict output, and we are told that the Sherman Law particularly aims to prohibit all restraints of trade; so that, notwithstanding the fact that the cotton transaction referred to had the approval of the Democratic Administration, how does any one know that investigations and indictments will not follow in connection with this matter as soon as another administration—whether Democratic or Republican—comes into power? Granted that it was a proper procedure, what guarantee have we that the next set of men in office will take the same view of the case?

Can we afford to rest our business fabric on the passing fancy, opinion or political bias of this, that or the other man representing whatever political party may temporarily be in power?

What I am trying to point out is that the laws of our land are such at the moment that no man can find out what he can legally do in business matters; no lawyer, court or President can tell him; and while his transactions may clearly be proper, both morally and financially, the laws are so vague that one Government official can take one position regarding them and another Government official can take exactly the opposite position; and the courts can do and are doing precisely the same thing.

I ask you hard-headed business men if such a situation is not unfair, unreasonable and absolutely stupid? How can our country proceed with business and prosper while such chaotic conditions exist? How can we expect to embark on new and large undertakings under such conditions? New enterprises, new undertakings that mean so much to any country and to general business cannot and will not be started until this uncertainty is removed. We are told that the Clayton Law will facilitate business. It might better be called the Muddle Law, for, in my judgment, the only business it will facilitate is the business of the lawyers.

We have been given a number of laws telling us how we cannot do

business; it is high time that we had at least one law that will tell us how we can do business. It is hard enough to do business successfully even when you know the law; it is utterly impossible to do it successfully when you do not know the law and cannot find it out.

Are not these two incidents in the South that I have cited ample proof that co-operation is not only beneficial but necessary for the best general business results? If so, is it not high time that we soberly and seriously set about adjusting our laws and governmental regulations in such a manner that business men can know in advance what they can do and what they cannot do? We must do this or some day meet with a great industrial disaster.

For some time before the Titanic disaster representatives of the wireless urged upon our government authorities the necessity for the regulation of wireless instruments, pointing out the utter confusion that existed. Our Government, however, did not take any action. Then the Titanic disaster came. You all remember the wireless chaos that existed for twenty-four hours. It was impossible to ascertain what had happened to the Titanic because there was free, unrestricted and unregulated competition among all the wireless operators, amateur and professional. After the disaster the wireless people went to Washington again, and the authorities at once agreed that wireless must be regulated by the Federal Government in order to eliminate the evils that existed and preserve to the people the good that existed. But it took the great Titanic disaster to make them see the necessity for it. Must we have a titanic industrial disaster before our Government can see the necessity for co-operation and agree that we must have Federal regulation of our great interstate and international industrial enterprises in order to eliminate the evils that exist and preserve to the people the good that exists?

A proper settlement of the great economic questions that confront this country to-day is just as important, just as vital to the future prestige of this country and to the future prosperity of our people, as was a proper settlement of the great questions that brought on our war of 1776 and our internal struggle of 1861. The men of 1776 and the men of 1861 were keenly alive to the vital importance of the problems that confronted them and which they had to solve. They were self-sacrificing enough to give not only of their time, thought and money, but patriotic enough to give even their lives and their sons'

lives to a solution of their problems. Are we of to-day as self-sacrificing, as patriotic as they were? How many of us are willing to do a little less for our pockets and a little more for our people?

Things have come with such comparative ease in this country up to date that we, as a people, are intellectually lazy; we talk much and think little. Earnest, deep, continuous thought on our problems is what we lack and what we need. Our problems are grave and must be properly solved if our country in the future is to meet with that measure of prosperity to which our people are entitled.

We are not called upon to make sacrifice to the extent of life itself, but we are called upon to make a sacrifice in time, in thought:

Time enough to participate in public affairs;

Thought enough to reach down to the roots of our troubles;

Thought enough to realize the great economic changes that are taking place in the world;

Thought enough to realize that no section of our country can prosper unless the whole country prospers; that no section can suffer without all sections suffering;

Thought enough to realize that we have reached a point in the development of our country where we need to increase our foreign trade, and that each year in the future, as our population increases, we shall more and more need to develop our foreign commerce;

Thought enough to realize that we cannot expect and never shall get the kind of foreign trade relations, the reciprocal trade agreements that we need and must have, so long as we place in governmental positions men of second and third rate ability and experience—men far inferior in training and intellectual equipment to the men holding similar positions in the nations with which we need to establish advantageous trading relations.

If any of you merchants wanted to buy a large bill of goods in Europe you would hardly send as your representative a man whose only qualification was that he could make an eloquent speech, or had saved some one from drowning; you would not send a man who knew absolutely nothing about the business in question, for you would know that, if you did so, you would lose out in the trade.

Many of our problems are problems of business statesmanship and require business statesmen for their solution. Many feel that the South cannot shake off the domination of the Democratic Party, but

it certainly can shake off the domination of the self-seeking, inefficient representatives that you and the country generally are sending to the National Capitol. We must draft men who understand our great economic problems and who are willing, from patriotic motives, to surrender some pecuniary gain and to go to Washington with the single purpose of advancing the broad future welfare of this country. You may think, as many of you do think, that such men will not respond, but they will if the call is earnest enough. Harding of Birmingham responded and in doing so made a great pecuniary sacrifice. All honor to him, say I. He points the way; it is up to you to see that other men in the South follow.

As a sample of the lack of business statesmanship on the part of our government officials, take the incident of the Chinese loan worked up by the bankers of this country and Europe two years ago. The present Administration protested against our bankers participating in the transaction and our bankers withdrew. The loan was subsequently made by European bankers and it was paid to China largely in merchandise. For instance, Austria participated in that loan and did it by her bankers taking Chinese bonds, selling those bonds to individuals in Austria, and with the proceeds buying merchandise from merchants in Austria and shipping it to China in payment for the bonds. This was done with the co-operation and approval of the Austrian Government; it co-operated with the Austrian bankers, co-operated with the Austrian investors, co-operated with the Austrian merchants, and enabled the Austrian merchants to make business connections with merchants in China and open up new channels of trade. All these advantages went to Austria and several other European countries when they might just as well have come to the United States.

When our bankers proposed to participate in the Chinese loan our Government should have adopted a policy of co-operation. Instead, it adopted a policy of elimination. It should have seen to it that the loan was made on proper and honorable terms; it should have done everything in its power to promote the undertaking. That is precisely what England has always done, what Germany has always done, what every other enlightened nation does. If our bankers were making an unfair or improper arrangement our Government should have stepped in and adjusted it. This should have been done, not as a favor to bankers, but to protect our individual investors to whom the bankers

were going to sell the bonds, for it was these individual investors and not the bankers who would have been injured in the future had anything gone wrong with the security offered by China. Our Government should also have co-operated for the purpose of opening up new channels of trade between American merchants and Chinese merchants,—new markets for Southern cotton, new markets for Northern manufactured goods. In place of doing this we threw away a great opportunity and China went to Europe for her loan and opened up new channels of trade between her merchants and merchants in Europe.

This most unfortunate incident occurred because the men who handled the matter were densely ignorant of the fundamentals involved. They were and are good political talkers but mighty poor business statesmen. We have been so busy raising big crops of wheat and cotton that we have neglected to raise statesmen big enough to know how and where to market these crops after they have been raised.

Just now we are in the midst of another affair where a sad lack of business statesmanship is bringing industrial chaos to all sections of our country. I refer to the new tariff. In place of being made by experts on the subject, by men capable of framing a tariff law along scientific and reciprocal lines, it has been made, as all our other tariffs have been made, by politicians along political lines.

During the last thirty years we have had at least five revisions of the tariff and several attempts at revision,—practically a continuous performance of tariff tinkering for politics only, with the result that nobody has been satisfied, business has been periodically upset and millions of workers have often been in sore distress. We have never had and never shall have, under existing conditions, a fair and properly balanced tariff schedule. What we must have is a permanent expert non-partisan Tariff Commission.

A number of efforts have been made for Tariff Boards and Tariff Commissions, both temporary and permanent, and numerous bills have been introduced. None of these bills, however, has given the proposed Commission the latitude and the power it must have if the country is to receive the relief and benefits it so sorely needs. Generally speaking, bills have simply provided for a Commission to study the question, and to "speak when it was spoken to," whereas power of

initiative should be given, also power to hear complaints and to make reports or recommendations. If we are to have a change in the method of tariff-making that is worthy of our day and generation, we must have a non-partisan Tariff Commission, the personnel of which will command the full confidence of the people, and it must be given authority and facilities to deal with the subject in a big way. Given this, public sentiment will surely see to it that the recommendations of the Commission are followed by Congress.

The Commission should be a sort of Tariff Court, to which the people of any industry may at any time apply; and upon demonstrating that injustice has been done and that relief is necessary, steps can be taken to have the matter promptly acted on by Congress.

Under the Constitution, Congress cannot delegate the enactment of tariff rates to a Commission. It can and should, however, delegate to such Commission general supervision over the preparation of tariff schedules; and Congress should be guided by the expert advice that such a Commission would be able to give. Congress has the power to wholly disregard the recommendations of such a Commission, and absolutely ignore it; but as members of Congress would undoubtedly find such a course unpopular, there would be little likelihood of their doing so.

Nothing is more important to the South and to our country as a whole than to have this Commercial Congress co-operate at once with other commercial and industrial bodies throughout the country in a movement to take the tariff out of politics through the establishment of a permanent expert non-partisan Tariff Commission.

Next to the shockingly incompetent manner in which our tariff has been made comes the shockingly incompetent manner in which our great business problems have been handled. Crowding the tariff hard for first place as a trump card for politicians has been the hullabaloo that has been kept up all over our land for twenty years over the Sherman Law. When a man could not be elected to office on the tariff issue he has been elected on the Sherman Law, and vice versa. Investigation after investigation has been made; suit after suit has been brought; great industrial companies have been dissolved, with increased profits to inside stockholders and increased cost of product to outside consumers; every known method that could be concocted under the law has been resorted to by politicians to harass and injure

business, all under the pretext of helping the people. But what has come of it all up to date? Just this: millions of dollars in lawyers' fees, many political jobs for many politicians, and many business failures and innumerable lost opportunities for this country's business.

For years business in this country has been and now is the football of politics and politicians. The tariff and the Sherman Law have been the great asset of our politicians, the greatest liability of our merchants.

Something was fundamentally wrong when the Sherman Law was passed, and it was this: with the advent of steam and electricity the opportunity of men of extraordinary ability to get together, to cooperate, was greatly enhanced. Under these conditions many men took undue advantage of their opportunities and did things that were detrimental to the public welfare and greatly to the pecuniary advantage of themselves. Seeing this condition our politicians of that day tried to strike at the growing evil by passing the Sherman Law. Their intent was commendable, for it was to correct and prevent abuses. Their act was lamentable, for it has corrected and prevented few, if any, abuses and has hampered and not facilitated business. In place of striking at bigness in business they should have struck at unfairness in business, for it should be the "function of law to define and punish wrongdoing and not to throttle business." The men who drew the Sherman Law failed to diagnose the situation correctly; they mistook certain symptoms for the disease, they did not comprehend the great evolution that steam and electricity were bringing to the business world. They simply saw the new evils that were creeping into it, and instead of striking at those evils they tried by man-made law to wipe out God-given economics.

The experiment has been an utter failure, as every thoughtful man knows. What we should have had and what we should have now is a law supplementing the common law in some respects, notably a law making it a criminal offense to issue watered stock; to issue false annual statements; a law requiring Federal incorporation, with the fullest publicity and strict governmental regulation in the case of large interstate and international industrial companies where ownership is widespread. The Sherman Law has required none of these things, and the result has been that the people have been fleeced out of untold millions.

As Europe increases the number and size of her Dreadnoughts, our Government adds to the number and size of our Dreadnoughts. Why? Because we know that in case of war it would be silly for us to attempt to fight European Dreadnoughts with a fleet of old-fashioned wooden frigates. This is our Government's position in regard to our Navy, whereas it is exactly the reverse in regard to our business; for while European countries have been building up great powerful business dreadnoughts in the way of large industrial units, our Government has been destroying our business dreadnoughts by tearing down our great industrial units; and it has the temerity to tell us that we can successfully wrest trade from these great European industrial dreadnoughts by sallying forth and attacking them with a fleet of old-fashioned industrial frigates.

While other countries, particularly Germany, have been fostering the upbuilding of industrial units we have been smashing ours, with a resultant loss so large that it cannot be measured. For instance, at almost the moment that the Standard Oil Company was being dissolved during the Taft administration the small German oil companies joined in a petition to their Government, urging it to make haste and do something to repel the onward march in German territory of the great Standard Oil octopus of America, pointing out the injury that was being done to their business and praying for relief. Can you ask for better proof that the Standard Oil Company was of very great value to our country in foreign trade than the fact that the German oil companies became so alarmed at its success that they cried out in unison to their Government for help?

Now I am not holding a brief for the Standard Oil Company. It may have done any number of things that were wrong and injurious; but it has been a phenomenal commercial success throughout the world, and before breaking it up our Government should at least have tried the experiment of regulating and controlling it, eradicating any evils that may have existed and preserving for this country the vast power for good that existed.

Gentlemen, every one of you and your associates at home are to a certain extent responsible for this state of affairs—responsible because you have neglected your civic duties, because you have let politics go hang. You have thought it didn't make any difference whether John Doe or Richard Roe went to Congress from your dis-

trict. You have allowed him to have nomination and election for the asking. Is it not time to call a halt? Is it not time in politics as in business for the office to seek the man,—not the man the office?

The political party that represents your section of the country still professes to believe in State's rights, in old-fashioned competitive methods in business, and in a tariff made on a log-rolling basis only. Those beliefs belong to antediluvian times and have no place in the economics of our present reconstruction period. So long as those archaic theories are persisted in and the attempt is made to fit them to modern actualities, neither the South nor the Nation can enjoy the prosperity the great New World offers. Whatever your politicians may think, however they may act, do not you business men agree with me that the only way for the new South to have her proper place in the great New World is by declaring for Nationalism, for co-operation, for a tariff for prosperity only, prosperity for one and all? If so, I believe that this Commercial Congress before it adjourns should pass ringing resolutions to this effect; that it should publish them broadcast throughout the country, and place them on file at Washington. By so doing it would not only render a great service to the South but an inestimable service to the entire country.

The whole world is passing through a mighty period of reconstruction. Individuals, communities, nations have all had to reconstruct, rebuild,—socially, materially, mentally. Some men of narrow minds have said that we must rebuild on the old lines; others have been quick to see how impossible it was to do any such thing; they have had the vision to see the wonderful opportunity that has been and is ours to rebuild on bigger, better, broader, more efficient, more humane lines. We cannot go back to the old if we would. We must go on with the new; we must have vision, courage, faith. Our greatest need, therefore, is for men whose minds have been reconstructed, men who have grown and broadened with this mighty world evolution, men of courage, men of vision, men of faith, men who see God's hand, not Satan's hand, in all; men who still love and will live for our country and its reconstructed future. The great New South has such men, and I have faith that they will answer their country's call.

A. R. MARSH
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Business Manager

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New York, April 7, 1915.

To the Business Man and Student of Business:

Sir:—The reprinted article by Judge Elbert H. Gary, Chairman of the United States Steel Corporation, which this letter accompanies, is the second fundamental article upon business by an experienced and successful business man which has been republished from the pages of THE MARKET WORLD and sent to many thousands of the leaders of business and other thinking men throughout the country. It is the intention of the Editors of THE MARKET WORLD to republish in pamphlet form from time to time articles containing the best thought of leaders of business upon the larger principles and present requirements of business in the United States, and to give them similarly wide circulation.

The purpose of the Editors is two-fold:

(1) To spread as widely as possible at this critical time the best that is thought and said about business by those who really know it;

(2) To interest business men and students of business everywhere in the United States is what THE MARKET WORLD is doing in the way of bringing about sound and effective thinking upon the economics, the experience, the legal and political status of business in the country; and to win the support of these business men and students of business as subscribers to the paper and regular readers of it.

The present article by Judge Gary and other republished articles that may reach you are examples of the quality of THE MARKET WORLD. Week after week it contains articles embodying the best ideas of the best business minds we have. A wealth of other matter which men of affairs cannot afford to neglect is also to be found regularly in its pages. Is it not worth your while to support, by becoming a regular reader, the one paper in the country which is rendering this service to business men?

THE EDITORS.

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Co-operation in American Business

A Vital Principle for Procuring Prosperity in the United States by Means of Industrial and Social Efficiency.

An Article Contributed to The Market World and Chronicle
March 27, 1915
By
ELBERT H. GARY

Republished from
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CAMBRIDGE, MASS.

FOREWORD

A danger ever present for democracies, or nations organized upon the democratic principle, is that they should lose their common and coherent purposes, should fall into divided and even antagonistic interests, and should forget the general welfare in the midst of the efforts of certain classes or sections to obtain an advantage over the others. It has been the unhappy history of democracies in the past that, while during the period of their creation and establishment they have been inspired by the fervor and governed by the unanimity of the great struggle for an object desired by all, they have later fallen into a kind of distraction and loss of creative energy through the inability of their citizens to remain steadfast to common principles or to co-operate to common ends. Internally, they have lost efficiency, and hence vigor and prosperity, because their domestic contentions have revolved about the desires of a part and not about the good of the whole; externally, they have gradually yet certainly given ground to other nations, because their lack of consciously united strength has been not only a continual handicap to them in the unending competitive contest in the economic field, but also a perpetual source of political weakness. This having been the experience of democracies in the past, it is not without reason that the great modern democracies, including our own, are still often called by thinking persons, "experiments in government." In the minds of the judicious it is not yet an assured fact that these democracies will endure. What is an assured fact, in the opinion of the judicious, is that they will not endure, unless they can demonstrate their ability to think and act harmoniously, and not sectionally or factionally.

What has just been said obviously applies to the United States, and more to-day than ever before in the history of the country. To remain a triumphant democracy we must have broad and firm co-operation of thought and action, resolutely maintained as our public policy and as the policy governing all our industrial and social activities. And the duty of seeing to it that this principle prevails can lie nowhere else than with our business men, who in the last resort must be depended upon for leadership in our affairs. This is the lesson of Judge Gary's article, printed in the following pages.

THE EDITORS,

The Market World and Chronicle.

CO-OPERATION IN AMERICAN BUSINESS

By Elbert H. Gary

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WE are living in a vital period. Never before within our memory has there been a time when so many problems fundamental to true progress presented themselves to thinking men. These problems call for expert examination, clear thought and sober judgment. They are not merely the problems directly arising from the disturbance and distress occasioned all over the world by the great struggle now going on in Europe, though these alone are perhaps the greatest problems with which mankind has ever had to deal. The problems I have specifically in mind, however, are larger even than these; they reach into the future. They have to do with the whole scheme of the organization of society and its interests, especially as regards those things that must always primarily concern the great majority of men and women, namely, the industry, commerce and other activities which form the basis of their individual and social welfare and which enable them to be efficient, both individually and also socially and politically. Here in the United States, particularly, we are in more than one sense at a parting of the ways. We are all naturally preoccupied at the moment with the restoration of the national prosperity which has been interrupted by the operation of the new tariff, by the great war and by other causes. The war itself is making it clear that the real question is larger than this. We want prosperity; but we want it solid and enduring. We want to make sure that, while our free institutions are maintained in a more vigorous condition than ever, we do not get out of step with the onward progress of the world and thus fail to hold our own with nations that may be learning the secrets of progress faster and better than we are.

Correct decisions leading to just action during the next few critical years will mean much to the solidity and permanence of this Republic. The continuance of misunderstandings, of mutual criticism,

and of working at cross purposes among the men and groups of men who are shaping our destinies, may serve to carry us into errors from which a full recovery may not be possible. I may quote here what I said recently in another connection:

"The tendency of the times during the last few years seems to have been opposed to business progress. This has been shown in publications, utterances of public speakers, introduction of many vicious bills into the legislative branches of Government, the passage of some unfavorable laws and, in some instances, a disposition to go beyond reason and justice in the effort to administer the laws.

"The reason for these adverse conditions has been partly the fault of the business men. We had become more or less careless in management, indifferent to the rights and interests of others, regardless of our responsibilities toward those for whom we had become trustees, as directors, officials or otherwise, and unmindful of the general public welfare. I make no personal reference and have no individual or corporation in mind. All of us failed to measure fully up to our obligations.

"Many of those who criticised were actuated by the best of motives, others by the desire for notoriety or individual advancement. The effect was bad and in many instances not justified."

The great war which is now shaking Europe and the world has served to arouse many dormant intellectual and moral forces, not the least among which are the forces of economic and political analysis. Behind the clash of armies, trained economists and students of the welfare of nations perceive world problems, whose working out, successfully or unsuccessfully, will determine the future of all peoples, whether now included among the belligerents or not. The issues are not merely the victory or defeat of the one or the other group of these belligerents, but great fundamental principles of human progress. The financial and commercial convulsion of the whole world at the outbreak of the war; the sudden and painful discovery that no country now-a-days can live for itself alone; the sharp realization that even nations at peace and remote from the conflict must, by a strong and dependable co-ordination of their own affairs, be prepared for the difficulties arising from such a conflict,—these and other impressive lessons of the war in Europe have stirred the minds of thinking men everywhere to reconsider their vague and often merely traditional

ideas of what is good for peoples, taken either collectively or individually. Probably there is now a consensus of opinion, among those whose judgment is worth having, that after the war is concluded it will no longer be possible for a great nation to go on in a happy-go-lucky way, with no common purposes and aims, if it desires to remain a permanent force in the world, holding its place in the vanguard of progress.

It may safely be said that history has not recorded a great human catastrophe which carried for the world so vivid and unmistakable a demonstration of fundamental truths. Many great events are capable of misinterpretation; but, it seems to me, the present war, whatever may be the differences of opinion as to its diplomatic preliminaries, stands forth, in the eyes of the far-seeing statesman and of the wise economist, clear and clean-cut as regards the great ultimate conclusions to be drawn from it. Fundamentally, I believe this war was made possible by the failure of men and women constituting great populations to insist upon the application, in respect to their economic activities and interests, of the simple Christian principles of mutual forbearance and co-operation which they avowed as a religious or social creed. As I said in an address delivered during October last:

"Without giving reasons in detail at the present time, I venture the opinion that the struggle for commercial supremacy was the underlying cause of the war, or at least had a decided influence upon its precipitation; that the questions at issue largely relate to dollars and cents. And many believe that if representatives of the different nations had previously met in a spirit of friendly and considerate inquiry for the purpose of definitely and finally settling the financial interests of each, all trouble could have been averted."

It is believed that the idea here suggested,—namely, that deliberately chosen representatives of the nations now at war could have averted hostilities and saved the world all the unspeakable suffering and waste of the titanic struggle, if only this course had been pursued, —is one that must commend itself to every thinking person who has had an opportunity to observe how much can be accomplished in the way of reconciling even inveterate and passionate differences between men through the use of frankness, fairness and reasonableness in the discussion and determination of their respective rights. But whether this be carrying reliance upon right reason too far or not, the principle

involved is sound. A nation is an aggregation of individuals. Its standards reflect the ideals of the active majority of its people. If this active majority is not co-ordinated and united in spirit, if it knows nothing of the co-operation of citizen with citizen, class with class,—if, in short, it is simply a great undisciplined, unruly, envious and bickering family,—then the nation can hardly be depended upon to act with singleness or loftiness of purpose, whether in a great emergency, or in the continuous daily development of its prosperity and national welfare in general. In the address from which I have just quoted, I made use in another passage of a personal experience which brings out, in a field where it has actually been tried, the scope of the idea in mind. With some omissions, the passage is as follows:

"About three years since, a few representatives of the iron and steel industry of this country had the privilege of meeting in Great Britain and Continental Europe the leading representatives of the iron and steel manufacturing interests of the world. For several days we were in close association with those men and became well acquainted with them and the spirit and motives which dominated their attitude and treatment of one another. The countries represented included England, Scotland, Wales, Belgium, France, Germany, Austria, Italy, Russia, Spain, Hungary, Canada and the United States.

"All were active competitors, individual concerns of a single country with each other and each country with all other countries. Nevertheless, it was evident that a feeling of business friendship permeated the minds and influenced the conduct of these men, and this in the main tended to establish and uphold an orderly and profitable management of the affairs entrusted to them.

"If the large numbers of business men who represented on this memorable occasion all of the countries engaged in the iron and steel industry could have had opportunity to consider and determine the questions leading up to the war which is raging in Europe *there would have been no war.* These intelligent, experienced, practical, sensible and Christian men, being from time to time in close contact, and therefore well acquainted with each other, would have been patient, considerate and fair-minded and would have made adjustments and reached conclusions calculated to protect the interests of all and to prevent the possibility of the present deplorable hostility."

I do not desire in this article to analyze the merits of the cause

of one or the other side in the European War, nor to compare the national efficiency of the several belligerent nations. But whatever may be our personal sympathies or opinions in connection with this subject, there appears to be a general agreement that the chief reason for Germany's recently acquired national, industrial and commercial prominence is the spirit of co-operation running through the entire economic and social life of the country. The conscious aim of the Government of Germany and of the leaders of German thought and of German business, ever since the Franco-Prussian War, has been to bring into harmonious co-ordination, without the waste of the blind antagonisms and competitions of the various classes of the productive population, all the constructive and progressive efforts of the German people. From the standpoint of a neutral nation, it can hardly be denied that there is food for thought in the following account of their application of the principle just mentioned to the needs of the great national crisis that had arisen. The Imperial Vice-Chancellor, Herr von Delbrück, is reported to have commented upon the effectiveness of the German industrial and commercial organization and its ability to withstand the shock of war and the extraordinary demands made upon it by the necessities of war, in the following language:

"I had a talk with the gentlemen representing the control of the sugar industry, and in fifteen minutes we had settled all the questions affecting it. I met other men and we quickly settled the textile and chemical industries. I met representatives of all the agricultural organizations, and in an hour we had settled all questions pertaining to the food supply. Germany, as no other country, is centralized industrially as well as economically, giving us an organization which makes us unconquerable, economically and industrially."

Comparisons are not necessary in this article. The object of this quotation is to set forth a practical application of the economic principle of co-operation on a large scale. The deduction proper to draw is that a great nation like the United States, with its immense problems, no longer local but inevitably and increasingly international as they must become, should give deep thought to the example which has thus been afforded to the world of what may be done along certain very definite lines of co-operative organization, not for the benefit of the few but for that of the many; not for the benefit of a particular class but for that of the entire nation.

It is worth remarking at this point that almost unconsciously we have ourselves had the benefits of co-operation brought home to us by the necessities we have had to meet in the months since the European War broke out. As all remember, our financial and economic situation in the earlier part of 1914 was not all that could be desired. In fact, many of our great industries were in a depressed and even embarrassed condition. The gradual recovery from the strain of 1907 had been in a measure checked by a variety of forces. There were reasons, however, for expecting an improvement in the near future. Then, all at once the whole industrial fabric was temporarily paralyzed by the sudden diversion of the great forces of trade and industry from their proper object to the vast destruction of human life and of accumulated capital. And the consequences were so tremendous, even for us, that there had to be co-operation lest all should be destroyed. Finance, industry, commerce, both domestic and international, were compelled to work together, or go down in general ruin. The story can never be completely told of the extent of the mutual assistance given, of the courageous and unselfish standing by those caught in the maelstrom, of the disinterested co-operation of the most diverse interests, in order that the wheels of industry might continue to turn and the ways of commerce continue to be open. At length it can be said without undue optimism that the skill and courage of our citizens working together has brought this country into a position of substantial adjustment to the changed conditions. It seems probable, moreover, that the impulse which has been given to men's minds by the crisis through which we have passed will make the final adjustment of all the consequences of war, when it comes, more fundamental and more lasting than it otherwise could have been. It is certain that the attitude of awakened attention and of creative interest in economic problems which this world catastrophe has produced in the United States will tremendously hasten the time when public opinion here will undertake a permanent solution of questions profoundly affecting our welfare as a people, of which we had begun to catch glimpses some time before the effects of the war suddenly and violently brought them home to our minds, but which we were not yet ready to act upon.

As long ago as the panic of 1907 and its aftermath of trouble in this country, it had begun to be clear to some of us that the industrial

and commercial interests of the United States had become too vast and too complex to be left in their old-time hap-hazard and disorganized condition without grave danger of recurrent crises and panics, probably each more severe than the last with the passage of the years. Some method of integration and co-ordination had become a necessity from the point of view of the public good. I believed then that I could see signs that this lesson of 1907 was being appreciated among business men; and on January 2, 1908, as light was beginning to break after the darkness of the panic year proper, I made the following comments upon the situation, which were published in the "New York Herald":

"The experiences of the last year have been of great value. We have been extravagant in every direction, and have been compelled to realize it. We understand better than ever before that our financial system is not perfect, and that there is need of some changes in basis and in methods. Better supervision and improved management have been shown to be necessary. We appreciate more fully that a good banker may not be fit to operate a blacksmith's shop, nor a blacksmith fit to manage a bank. Moreover, it may be safe to assert that most, if not all, of the people now believe that publicity in regard to, and regulation of, large enterprises are more important to be considered than the mere question of the right of such enterprises to exist.

"One of the factors to be borne in mind is the disposition which now exists in the minds of managers of some lines of industry to co-operate. Never before has this subject been given so much thought and attention. It may prove to be very important. The effort is to base action on fair and open dealing. Competition is not to be stifled, but rather to be encouraged by the competitors themselves. This may be a departure from old methods; still it should be beneficial to all concerned."

Since these words were spoken, much has been done in the direction of industrial co-operation in this country. As I thought then, I think now: that the most terrible waste possible is human waste. If industrial development has a place in the progress of civilization it should be organized upon a basis of elimination of preventable human waste. It should not be carried out along the very principle, or lack of principle, which, as between the nations of Europe, has been so powerful a contributing cause to the present war. It should not be

carried out along lines of unrestrained and cut-throat competition, which is itself hardly different, in many of its cardinal phases, from actual war.

More than this, as we look back over what has been happening in the business world in this country since 1907, and particularly as we reflect upon the co-operative spirit displayed during the past seven or eight months of strain and anxiety, we become more convinced that very great progress has been made among our business men towards the comprehension and in some degree the realization of the idea of co-operation which was pointed to in 1908 as one of the most hopeful signs of recovery from the depression of the panic of 1907. While it is true that this has been very little perceived or appreciated in political circles and that the tone and temper of legislation have shown almost accentuated acrimony in respect of tendencies whose necessity has been becoming apparent to far-sighted business men, there is abundant evidence among the latter class that their minds are turning more and more to the ideal of industry and commerce conducted along co-operative rather than wastefully competitive lines. The desire for organized efficiency has always been particularly strong in Americans, and possibly no other people has ever carried organization and efficiency in an individualistic sense farther than have we. Now it is rapidly dawning upon the clearest thinking of our citizens that there is still a higher kind of efficiency than that of competitive individualism, namely, the efficiency of properly devised and safe-guarded co-operation.

This raises the question why there has not been a more rapid acceptance by the American public generally of the principle of the higher efficiency made possible by such co-operation and co-ordination in industry and commerce as have been producing the remarkable results referred to in Germany. Why is it that in a people like ours, in which efficiency has always been a passion and organization has achieved some of its greatest triumphs in certain limited fields, there has not been a fuller application of the principle that general organization on co-operative, instead of brutally competitive, lines, yields the highest results in efficiency, both for the several branches of industry and commerce and for the people as a nation?

I think there are two reasons which may be given. One has to do with the difference in the conditions which have characterized the

economic growth of the United States and of Germany. In the latter country the natural resources at hand have been strictly limited. The population of nearly 70,000,000 souls is crowded into an area of 208,794 square miles, on a basis of nearly 317 persons to the square mile. In the United States, the wealth of national resources has been as proverbial as has been the lavish extravagance with which we have consumed them. Our vast area of over 3,000,000 square miles liberally supports our population, on a basis of less than twenty-eight persons to the square mile. Organization and co-operation in the German sense have not been forced upon us by our environment; and we are only gradually awakening to the fact that our resources are not limitless, and that the waste of natural and human material is radically wrong, no matter how vast our resources.

The other obstacle to the growth of co-operation in the United States has been, perhaps, an inherent repugnance on the part of most of us towards any relinquishment of individual liberty. Few Americans would combat this tendency. It is fundamental to the safety of the great experiment in free government which we are trying in this country.

Just here, however, comes in the lack of clear thinking which is the chief obstacle that remains to be overcome before we have the fuller application of the principles of co-operation in the United States. The proper application of those principles does not restrict, but rather increases the liberty of the individual. The security to the industrial worker, through co-operation, in respect to greater safety, shorter hours, more continuous employment, and a share in the increased profits which these conditions bring about, should certainly not be considered other than an increase of personal liberty. In industry, as with the individual, liberty is not so much a matter of freedom from restraint as it is the acquirement in increasing measure of the rewards of labor, both of the mind and of the hands, through intelligent and mutually helpful meeting and overcoming of the obstacles which must be met each day.

But a sharp distinction must be drawn. The application of efficiency by organized and co-operating units of the people who are doing the work is totally different from the imposition of organization by the government. In this vital matter it seems possible that the temper of the American people differs from the temper of the German

people. And it may be proper to ask the question as to whether the proper development of the co-operative principle in the United States has not been hampered by the fear which various experiments in paternalism have instilled into a large body of our citizens, that a National Government by Commission was being unreasonably imposed upon them. We need publicity and we need wise government supervision for the prevention of abuses; but, subject to these checks, the co-operation of individual initiative is alone consistent with the political and social ideas of this country.

In the era of clearer thinking in the United States, into which we are about to pass, and whose coming has been greatly hastened by the war in Europe, it seems probable that a careful analysis of these obstacles will be made, and that, with a full understanding of the facts, there will come correct judgments on the part of the public. Then there should follow not only co-operation within the various industries, but among all industries,—in fact, among all the great constructive forces which form our national strength. The object of this paper, however, is not to furnish that analysis, but to state the problem.

The guiding principle of the day should not be: "Let us be prosperous"—but rather the broader one, "Let there be light." The rule-of-thumb days are passing. It is pre-eminently necessary for the people to be rid of panaceas and propagandists, of political theorists and demagogues, and to return once more to the simple facts as they are developed by experience. Let us emphasize these basic truths, and the judgment of the average thinking man may be relied upon to evolve the principles of action which are essential to the prosperity and happiness, if not to the very existence, of the nation.

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